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ABSTRACT

Recommendations and issues concerning reauthorization of the Higher Education Act of 1965 are presented in testimony from representatives of public and private colleges, students, counselors, lenders, guaranteed student loan programs, state loan and grant administrators, and student aid officials. Specific references are made to the effect of the Higher Education Act on Iowa colleges, and the effect of reductions in federal aid on access and choice in postsecondary education. The act is the primary source of federal support for colleges and universities and college students. A significant aspect of the Reagan Administration proposals is the $4,000 cap for any student receiving federal aid, including loans and work-study grants. Another proposal that is considered is placing an income ceiling of $25,000 on those who can receive the Pell Grant or campus-based aid. It is suggested that the $4,000 cap on federal aid would have a serious impact on private colleges and on high-need students attending public institutions. Additional topics include: the effect of the $4,000 ceiling on graduate and professional students, outcomes of governmental decisions to emphasize loan programs administered outside of higher education, and priorities for categorical programs that are part of the Higher Education Act. (SW)

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

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HEARING

BEFORE THE

SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN CEDAR RAPIDS, IA, ON APRIL 12, 1985

Serial No. 99-6

Printed for the use of the Committee on Education and Labor

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

FRIDAY, APRIL 12, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
Cedar Rapids, IA.

The subcommittee met, pursuant to notice, at 9:05 a.m., in the Main Theater, Dows Fine Arts School, Coe College, Cedar Rapids, IA; Hon. William Ford presiding.

Members present: Representatives Ford and Tauke.

Staff present: Thomas R. Wolanin, staff director; Kristin Gilbert, clerk; Rose DiNapoli, minority legislative associate.

Mr. FORD. Good morning ladies and gentlemen. I'm pleased to call to order the field hearing of the Subcommittee on Postsecondary Education of the U.S. House of Representatives. And our oversight hearing today will focus on recommendations and concerns with respect to reauthorization of the Higher Education Act of 1965.

This act, which is the primary source of Federal support for higher education institutions and students, must be reauthorized or extended in this Congress, since it expires next year.

We are particularly pleased to be here in Cedar Rapids for this hearing, at the request of Congressman Tom Tauke. Tom is both a new and an old member of the committee. He was a member of the committee when we went through this process in 1979 and 1980. And he left the Education and Labor Committee for a while, and, fortunately for us, came back. I believe one of the reasons was so that he would be here for the reauthorization cycle.

And, while we belong to different political parties, I'm very pleased to have him because he was an active and a contributing person in developing the largest single piece of higher education legislation ever passed in the history of the country, in 1980. And we're looking forward to working with him again.

He's respected on the committee as someone who knows the programs, and has a very strong commitment to them, and it's particularly valuable to us to have his strong voice on what we refer to as the minority side of the committee.

I hope that in this process, we will be able to develop—and I'm speaking of the process of the hearings that will go on for a good part of this year—a renewed Federal commitment to educational opportunity and excellence in higher education.

This morning, we're going to hear from witnesses representing both public and private postsecondary institutions here in Iowa, students, counselors, lenders, and guaranteed student loan programs, State loan and grant administrators, and student aid officials. Before we call the first panel of witnesses, I would like to recognize Congressman Tauke for any remarks he wishes to make at this time.

Mr. TAUKE. Well, thank you very much, Mr. Chairman. I am delighted to have the opportunity to host this hearing here in the Second District of Iowa. And I am very pleased that you have been able to join us. For those of you who do not know, Congressman Bill Ford is a Member of Congress representing the State of Michigan. He is chairman of the Post Office and Civil Service Committee, but I think his true love is the Postsecondary Education Subcommittee, of which he is also chairman.

He is undoubtedly the most knowledgeable, the most influential, and the strongest advocate for higher education in the House of Representatives, if not all of Congress. And it is a great pleasure for us to have him in northeast Iowa.

I want to thank Coe College for hosting this hearing, and providing the facilities. I thank all of the witnesses for sharing their time in order to establish a good hearing record on which we can base judgments on legislation later in the year. And I'd like to thank Mount Mercy College for hosting a small dinner last evening for Congressman Ford and the others in the community.

Iowa has been blessed with a very strong higher education system. We have three excellent State universities: the University of Iowa, Iowa State, and the University of Northern Iowa. We have 27 outstanding private colleges, and a strong system of community colleges of which Kirkwood College is undoubtedly the flagship institution.

We have, as a result, a very good system of higher education which has provided tremendous opportunity to students in our State. We are concerned, however, that if the Federal financial aid programs are substantially changed, or funding is drastically reduced, that we will not only deny many students an opportunity to education, but we will also undermine the very strong system which we have built over the years.

Consequently, I think many of us in Iowa are anxious to see the 1985 Reauthorization Act renew the Federal commitment to higher education, and renew the commitment to providing to every student the opportunity to seek a higher education at an institution of his or her choice, regardless of ability to pay. And it is that concept, giving each student, regardless of financial resources, access to quality education that is the underlying sentiment behind our effort in the Postsecondary Education Subcommittee.

So Chairman Ford, we thank you very much for your interest and your willingness to come to Iowa, and I know that our witnesses are anxious to tell their story.

Mr. FORD. Thank you very much, Tom. And before we proceed with the first panel, I'd like to recognize J. Preston Cole, vice president and dean of Coe College, who has some brief remarks. Mr. Cole.

Mr. COLE. Yes, indeed. I want to extend Coe's welcome to you, Congressman, for holding this hearing here. And to all of you who are here to both testify and to hear the testimony given today. President Brown regrets that he was out of town today, and was unable to extend this welcome, and has asked me to do it in his stead.

I was sorely tempted to think up a speech that I would like to give you, as well, but I'll confine myself to the welcome that we extend to you for this hearing. Thank you very much for being here.

Mr. FORD. Thank you very much, Mr. Cole. It's indeed a pleasure to be here, and I want to tell you, coming out of Michigan, I'm both surprised and pleased at the fine weather you've greeted us with here.

Mr. TAUKE. Mr. Chairman, before we proceed, perhaps I could ask unanimous consent that those who have written testimony may have that testimony included in the record, and that the record remain open for 2 weeks to include any written testimony.

Mr. FORD. I'd like to modify that so that people will have an opportunity, also, to add to their testimony, or add material that comes to their mind as a result of what they hear here this morning. But we'll keep the record open, so that it will appear in the hearing transcript of this record, contemporaneous with the testimony given here this morning. Without objection, it's so ordered.

Now, first we have Dr. Thomas R. Feld, president of Mount Mercy College in Cedar Rapids; Sister Catherine Dunn, president of Clarke College in Dubuque, and Ms. Debora Goodall, director of financial Aid at Coe College in Cedar Rapids.

And Dr. Feld, we have your formal testimony that will be inserted at this point in full in the record. You may proceed to add to it, supplement it, or summarize it any way you feel most comfortable.

STATEMENT OF DR. THOMAS R. FELD, PRESIDENT, MOUNT MERCY COLLEGE, CEDAR RAPIDS, IA

Dr. FELD. Thank you, Congressman Ford. I appreciate the opportunity to speak to the proposed new proposals in the Student Aid Reauthorization Program and the Higher Education Reauthorization Act. I will briefly summarize what's in the written statement, and in the interest of time, essentially what I'm attempting to do is to address the specific Reagan proposals, regarding the student aid limitations.

In the first part of my testimony, I'd like to point out its impact on Mount Mercy College students. Mount Mercy College enrolls approximately 1,300 students, 900 of whom are full time, the average annual parental income of our students' parents, is approximately $20,700.

Regarding the two most significant aspects of the Reagan proposal regarding financial aid, and how they impact our students, the first proposal is the $4,000 cap for any student receiving Federal aid, be it a loan, work study grant, or whatever. The $4,000 cap on our particular campus would affect 20 percent of our full-time students. One hundred seventy-three of our full-time students do in

fact receive over $4,000 in Federal aid, including loans. They qualify for them, and they need them.

On the proposed $30,000 income ceiling, the breakdown of our student profile seems to indicate that 92 students will lose guaranteed student loans of nearly $200,000; 67 students will lose national direct student loans worth $50,000; 33 students will lose supplementary grants, SEOG's of about $13,000; 42 students will lose work study grants of approximate by $25,000; and 5 students would lose Pell grants of about $4,000.

The impact on the college students is indeed significant, and something that we would consider, frankly, intolerable. I do, at the same time, wish to emphasize that I think the entire Nation has an emphasis and a sharing, in principle, on reducing the Federal deficit. I don't think any particular aspect of society ought to be exempt; I think my essential theme, however, would be that higher education has already assumed its share of the burden.

I would like to point out that, while the college used to receive law enforcement education program grants to assist students interested in pursuing criminal justice and law enforcement programs, that those funds no longer exist, which used to total $45,000 a year.

The Nursing Loan Program has been abolished. The Nursing Capitation Program has been abolished. The library supplemental funds have been abolished.

Higher education has already taken significant cuts in funding from the Federal level. I really doubt that it should endure more. In addition, we have increased costs that have been pushed on the higher education, mandated by the Federal Government, without financial assistance, not only in the areas of financial aid, but in new proposals to eliminate postal subsidies, for example, enjoyed by the nonprofit sector which, according to recent estimates, will double postage costs.

In addition to those proposals, and with the Tax Reform Act, we are also told that we are going to be constrained in our efforts to secure gifts to help underwrite these financial burdens so we really feel that we're getting it both from the standpoint of appropriations that assist us, and in the efforts to raise charitable gifts on the other side of the coin.

I think there are some principles involved that are very, very important in this whole consideration. I really find it inconsistent to hear both Mr. Reagan and Mr. Bennett preaching about the importance of educational diversity, the importance of having pluralistic education, as Mr. Bennett spoke the day before yesterday, and Mr. Reagan has spoken.

On the one hand, however, their arguing about tuition tax credits at the elementary and secondary level, when apparently it does not seem to apply to higher education level. I really do not find that, in principle, consistent. I am particularly concerned about the impact on low-income students and in our particular case, the impact on minority students, many of whom will get a special benefit and benefit the most from the advantages offered by particularly small colleges, and in many cases, the small private college.

Third, I wonder whether really we're talking about alleviating the burden of the taxpayer. In fact, I really don't think we're going to do that. If, as many suggest, the ceilings force students not to go

to a private college, but into the public sector, all we are doing is shifting the burden from the taxpayer on the Federal level to the taxpayer at the State level.

In short, I don't think it makes economic sense; I think it's morally repugnant on its impact on minorities and low income students, and it abandons the principle that we have long held in this society, that students should have freedom of choice and equality of access to the education of their choice.

At the same time, I do think there are some considerations that can be made. I think we can get more dollars, more bang for the buck. I do question whether or not independent status should be accessible by students before age 21. I'm not sure that parental responsibility should be absolved prior to that age, and I think that particular aspect of reform could have significant impact on the financial aid programs.

I also would like to resurrect an old idea, but one that I think is worthwhile. I think that we could recoup on the default rate, if we would resurrect the proposal that IRS collect student loans, based on a withholding on the W-2 Form at a modest rate of 2 or 4 percent of annual income, as proposed several years ago in Congress.

It seems to me that that collection would eliminate the default rate; it would provide greater equity to students; students going into high income occupations would pay their loans back faster; versus students going into lower service-oriented occupations such as teaching, would have a longer time to repay their loans.

I'm not sure why the resistance to this proposal has been so strong from the IRS, but in any case, I think it's an idea worth resurrecting.

In conclusion, I'd simply like to say that I think it's imperative that we preserve freedom of choice and access to higher education, and fundamentally, I would urge the Committee not to allow the proposed Reagan cuts and reductions in student aid.

Thank you for this opportunity.

[Prepared statement of Dr. Thomas Feld follows:]

PREPARED STATEMENT OF DR. THOMAS R. FELD, PRESIDENT, MOUNT MERCY COLLEGE, CEDAR RAPIDS, IA

Thank you for this opportunity to convey our concerns regarding President Reagan's proposed reduction in federal student aid programs. My observations on these matters will be restricted to the following areas: first, the impact of the proposed changes as they affect Mount Mercy College students; second, the impact of the proposed changes on the State of Iowa; and third, the role of the federal government and the responsibility of all citizens to share the burden of reducing the federal deficit.

IMPACT ON MOUNT MERCY COLLEGE STUDENTS

Mount Mercy College currently enrolls nearly 1,300 students of whom approximately 900 are full-time students. Utilizing available financial data on 895 families, we note that the average annual income is $20,700. Of our full-time students, one of every five (twenty per cent) students would be adversely affected by the proposed reductions. In our current year, 173 of our full-time students qualify for and receive federal student aid in excess of $4,000. In our case, minority students and students from out-of-state would suffer the most from the proposed limitation of no more than $4,000 in total aid.

Regarding Mr. Reagan's proposal that no family with more than $30,000 in income could receive federal financial aid, our analysis indicates the following impact on Mount Mercy students:

92 students would lose $185,000 in Guaranteed Student Loans;
67 students would lose $51,130 in National Direct Student Loans;
33 students would lose $13,600 in SEOGs;
42 students would lose $26,800 in Work-Study funds; and
5 students would lose $3,750 in Pell grants.

IMPACT ON THE STATE OF IOWA

Since the tuition at Mount Mercy College is considerably below that of most of the other 26 private colleges and universities in Iowa, it is safe to assume that the impact on the other private colleges would be even greater.

The negative impact on private higher education is obvious and enormous. Collectively, according to figures produced by the Iowa Development Commission, the private colleges and universities of Iowa are the fourth largest employer in the state (exceeded only by Hy-Vee, Rockwell-Collins and John Deere). While the economic impact of these institutions is significant to the State of Iowa, the cultural and social advantages that these institutions bring to their communities is also of major benefit to all citizens.

Should the proposed reductions do as many would suggest—force many students into the public sector of higher education—it would have an equally devastating impact on Iowa. Our state universities are already in difficulty because of the State's economic woes and currently have problems coping with existing enrollments. Any major shift from the private sector to the public sector would create additional problems especially for Iowa's Regent institutions. The federal government has already shifted much of the social cost burden from the national level to the states through such things as reductions in revenue sharing. If we force students into the public system in significantly greater numbers, we have accomplished nothing more than shifting an ever greater burden not onto the private sector but, rather, onto the tax supported public system in each state.

More significantly, this nation has a commitment to provide freedom of choice and access to students seeking higher education. It is a principle that has been adopted and reaffirmed by the nation for the last three decades. Mr. Reagan's proposals seek nothing less than to abandon that principle!

If there is to be a lasting peace, if social justice is ever to be achieved, if this nation is to be preserved as a truly democratic society, it will depend on a dedicated, committed and educated citizenry.

DEFICIT REDUCTION

Lest I be considered one of the many special interest groups that merely seeks to protect its own "turf," please be assured that I believe we must all share in the effort to reduce the national deficit. My position, however, is that higher education has already assumed its share of the burden.

In the case of Mount Mercy College, for example, I would like to point out that a number of federal programs that benefit the College have already been significantly reduced or totally eliminated. For example, we used to receive nearly $50,000 annually in nursing capitation funds. Under the Reagan administration, those funds no longer exist. Student financial aid enjoyed under the LEAP program amounted to nearly $50,000 annually. That financial aid program was abolished in the first year of the Reagan administration. Library supplemental appropriations have also been abolished.

I should also emphasize that colleges and universities are already assuming more and more of the burden. At Mount Mercy, for example, we have tripled the amount of our own financial aid funds for students since Mr. Reagan came into office. This is in response to the growing numbers of students needing financial assistance and neither federal funds nor state funds are sufficient to meet those growing needs.

In sum, we have already taken our share of cuts. Nor do I request that student aid funding be increased, although the need for such funds clearly exists. But I do plead for no cuts in existing student aid funds—Freeze, yes, if necessary, but do not reduce existing levels.

INCREASED COSTS

I would also be negligent if I did not also point out that, in addition to the previously mentioned cuts that higher education has already endured, we have also been subjected to mandatory increases in spending by federal edict.

In addition to rising costs endured by all employers throughout the nation, especially social security taxes, the federal government has mandated increased spend-

ing to ensure handicapped access and, via Title IX, increased spending to ensure equal opportunity for both sexes. For the record, I do wish it known that I fully support both the handicapped access and Title IX provisions. I believe they are both needed and appropriate pieces of legislation. Nevertheless, I also note that no financial assistance was profferred by the federal government.

I also note with interest that Mr. Reagan has also proposed the elimination of postal subsidies for non-profit organizations using second and third class postage. The estimated impact of this provision is that our mailing expenses will double.

What few remaining opportunities for grants that exist are also slated for either total elimination (such as FIPSE) or significant reductions (such as the National Endowment for the Humanities).

In perhaps the ultimate gesture, not only has Mr. Reagan proposed severe limitations on student financial aid, not only has Mr. Reagan succeeded in eliminating and/or reducing educational grants assistance, not only has Mr. Reagan already succeeded in terminating several programs of benefit to both private and public institutions, not only has Mr. Reagan proposed significant cost increases in our postage expenses, but also Mr. Reagan proposes we restrict the charitable giving deductions that partially help us respond to the financial difficulties we face!

SUGGESTIONS

There are ways in which student aid funds could be more equitably distributed and savings accomplished which should not be ignored. These constitute potential methods of reducing the amount of federal appropriations needed to fund existing student aid programs.

For your consideration, I proffer two suggestions. First, I suggest that the regulations regarding when a student may be considered "independent" for financial aid purposes be redefined. I do not believe that parental support should be abandoned prior to the student reaching age 21. Significant savings could be achieved by changing that particular regulation.

The second suggestion I would have is not a new idea but one that seems worthy of resurrection. The default rate on student loans is a major concern and, given the depressed economic climate of the State of Iowa, a concern that is likely to grow—even though Iowa students tend to have a much better record than most of the nation. I suggest that colleges be eliminated from the business of collecting student loans. Several years ago, a proposal emerged in Congress that would allow the collection of student loans based on withholding a small percentage of wages earned in the same fashion that income taxes are currently withheld.

Such a system has a number of advantages. It would allow students who earn high incomes after graduation to repay their loans earlier than under the existing system and, for students in the lower paying human service occupations, such as teaching, to repay their loans on a longer term basis. Equally important, it would virtually eliminate the problem of loan defaults throughout the nation.

CONCLUSION

In brief, I believe that higher education has already assumed its share of reducing the federal deficit. Mr. Reagan's proposals to reduce student aid funds are to me morally repugnant (particularly on the impact on low income students, particularly minorities), and economically unsound (driving more students into the state tax supported system). These proposals will exacerbate Iowa's economic crisis while denying students' rights to freedom of choice and access in continuing their education.

There are ways to make the federal student aid appropriations more efficient, effective, and equitable and let these avenues be explored.

The pluralistic diversity that has characterized American higher education over the last century must be preserved!

Please do not allow the proposed reductions in student aid!

DECLINE IN FEDERAL STUDENT FINANCIAL AID

[1976–77 through 1985–86]

	1976–77	1977–78	1978–79	1979–80	1980–81	1981–82	1982–83	1983–84	1984–85	1985–86 [1]
LEAP	$43,400	$45,800	$42,100	$23,450	$12,500	0	0	0	0	0
Nursing loan	32,115	34,572	27,075	20,898	15,956	$5,182	0	0	0	0
Nursing capitation grant	48,400	44,320	23,388	30,408	28,990	11,563	0	0	0	0

DECLINE IN FEDERAL STUDENT FINANCIAL AID—Continued

[1976–77 through 1985–86]

	1976–77	1977–78	1978–79	1979–80	1980–81	1981–82	1982–83	1983–84	1984–85	1985–86 [1]
Library grant	3,930	1,211	3,589	1,578	1,900	415	$840	0	0	0
NDSL	200,000	128,622	90,168	105,425	90,168	46,778	87,190	$75,345	$55,427	$37,322

[1] Indicates Tentative Award.

Mr. FORD. Thank you very much. Sister Catherine Dunn.

STATEMENT OF SISTER CATHERINE DUNN, PRESIDENT, CLARKE COLLEGE, DUBUQUE, IA

Sister DUNN. Thank you very much, Representative Ford. I also want to express my appreciation to you, Representatives Ford and Tauke, for affording this opportunity for a forum today, and to your staffs for coming to what I believe is the heart of America, the Midwest.

I'd like to make some remarks, to open my statements, about independent higher education. I think few people in the country will disagree about the contribution that higher education has made, both public and independent. And I'm going to address myself to the independent portion of that.

We have provided leaders across the country, and you can go down the rosters of the corporate board, the science researchers, the medical field, the political field, in fact, 315 of the 535 Members of Congress, are graduates of independent colleges and universities in our country.

We've been the backbone of our country since its inception. The first institution started in our country was a private one, an independent college. We have provided a holistic liberal arts education which transforms students into professionals with world vision and respect and insight into divergent cultures and viewpoints.

Our Nation has also been mighty because education has been a primary force, and one of the concerns I have about the proposals of the Reagan administration is that that is endangered. Serious slashes in Federal financial aid would create, I believe, a tremendous flaw in the rich fabric of this country. Choice has been the key to education's success.

Federal reductions will eliminate choice for most students, except the very wealthy, and it will force upon our Nation's public education system, heavy burdens of attempting to fill in where we have provided a base for many, many years. Our students, those who attend Clarke and other independent institutions, are making tremendous sacrifices, and I see the aid that's provided them as really supplemental because they bear the burden of most of their education.

And they're willing to make the sacrifices of huge debts to go to the institutions of their choice. Many of our students graduating next month will incur debts in excess of $10,000, but they're willing to do that. One of my greatest concerns is with the middle-income families across our land. Because I think economically, and from every perspective, they stand to lose the most. Most of our students are from middle-income families.

Sixty-seven percent of Clarke students receive some form of financial aid. Of those who receive Federal assistance, about one-third of our student body, 80 percent receive work study grants; 75 percent, Pell Grants; 66 percent, National Direct Student Loans; 55 percent, Supplemental Educational Opportunity Grants; and 31 percent Guaranteed Student Loans.

At the same time, we've made tremendous strides and efforts to aggressively go out and seek gift income to also help our students achieve an education at our institution. Examples: In 1981–82, we contributed $249,000 to our budget to aid students; in 1983–84, $588,920; in 1984–85, $729,705. Because we believe that middle income students deserves some help.

I also would like to dispel some of what Secretary Bennett has been stating in the news media, which by the way, has caused us great concern. We've spent untold hours attempting to dispel some of the rumors that are out there as a result of his statements.

Rather than our students going to Florida and having the luxuries of cars and stereos, many of our students travel as far as 200 miles on weekends to go home to work at jobs to help pay for their education. And I might also add that many of our students, during spring break, went to Appalachia to aid and assist those less fortunate than they and we.

I urge, today, also that we look at the economic woes of regions. And Iowa certainly has had its share of that. Many of our students are from rural and farm areas. Those people are greatly affected. On paper, their assets look great. But much of it is involved with farm equipment, operation costs, et cetera.

They don't have the cash, and many of them today can't get the bank loans they could get a few years ago, to aid in their children's education.

In making revisions in student aid, I urge the following: that education be seen as a primary focus in our country; that middle income Americans who are severely affected be given every consideration; that low-income students continue to be highlighted. The goal of providing choice is critical; may it continue.

And that regional conditions, such as the farm ones I just stated, be considered. We also need to look at some revisions in some portions of the student aid. In the Pell grants, we need to be sensitive to tuition expenses. I think revisions need to take place in the SEOGs. We need to extend the work study programs.

Students don't mind working. They really don't, and that program has been a great asset. The NDSL Program needs to be extended, but the procedures for collection really need some attention. We, at our college, have had less than a 1-percent default rate over the years. And yet, I feel we're very strongly penalized. Our appropriation for next year is zero.

Other institutions that haven't worked as hard—we have a staff member that works weekends and evenings, to make those collections. Other institutions that have worked hard enough to get themselves so that they don't get cut out of the funds, but they get the appropriations, so there's some serious flaws in that program, and I would urge that procedures for collection be examined, and looked at and revised.

And I also urge that the GSL Program be looked at as a help and not a hindrance to students. I ask you to look at the following: Imagine the state of affairs if, one-third of our students could not return because of Federal cuts in programs. What would the city of Dubuque with its three colleges, Clarke, Morris, and the University of Dubuque, do, if we were adversely affected. We are the fourth largest employer in that city.

What would the State of Iowa do, supported by 27 independent institutions, if tax money has to be used to educate students not able to attend independent colleges and universities. And that, at this year's costs, would be $60 million.

I also ask you to consider the following: We provide, we in the independent sector, provide an economic impact of $371 million, $500 thousand to the State of Iowa. Iowa's independent colleges and universities enroll 37,000 students. Of these, 67 percent are from Iowa. Iowa's independent colleges and universities educate 27 percent of the students and we are responsible for granting 43 percent of the degrees.

During the past 5 years, 63 percent of the graduates of Iowa's independent colleges and universities have remained in the State, as compared with 47 percent from our Regent's institutions, remained in the State as productive, taxpaying citizens.

I believe independent colleges have been a strong corpus in our Nation. We have been a model, most of us, of balanced budgets, tightening our belts to provide for our students excellence in education. I submit to you that the loss will be far greater than financial if Congress and the administration chooses cost-cutting options, we will be losing tomorrow's promise in its youth and educational system. Thank you very much.

[Prepared statement of Sister Dunn follows:]

PREPARED STATEMENT OF SISTER CATHERINE DUNN, BVM, PRESIDENT, CLARKE COLLEGE, DUBUQUE, IA

Congressmen Ford and Tauke, thank you for providing this forum to address the Higher Education Authorization Act—specifically student aid.

Few will disagree with the importance that independent colleges and universities have played in making this nation great. These schools have provided leaders across the spectrum today: from the corporate ladder, to science, medicine and government. President Reagan chose an independent colleges education, as did 315 of our 535 members of Congress and 21 of 32 Education and Labor committee members.

Independent colleges and universities have been the backbone of our country because they provide a holistic liberal arts education which transforms students into professionals with world vision and respect and insight into divergent cultures and viewpoints.

Our nation has been mighty because education has been a primary focus. The present efforts to lessen this focus creates serious consequences.

Serious slashes in federal funding would create a tremendous flaw in the rich fabric of this country. Choice has been the key to education's success. Federal reductions in student aid will make choices available only to the wealthy. Federal reductions will leave the nation's public education system with the heavy burden of attempting to accomodate the rest of the students—a burden which will be borne by state taxes.

Students who attend Clarke and other independent colleges and universities already are making tremendous sacrifices for an education. Secretary Bennett can be assured that there are no trips to Florida, stereos and other such luxuries of our students on federal aid. Instead students leave campus nearly every weekend to travel as far as 200 miles to their homes where they maintain jobs to pay for tuition.

I urge Congress to reconsider the proposed eligibility requirements for financial aid. How many families with incomes of $25,000 and $32,500 have discretionary funds to send their children to college? Many people considered to be in middle income brackets five years ago find themselves in far lower echelons today. Middle income families stand to lose the greatest benefit in proposed changes in student financial aid unless we take steps to counter such moves.

Sixty-seven percent of Clarke's students receive some form of financial aid. Of those who receive Federal financial assistance (about one-third of the student body):

80 percent receive work-duty grants;
75 percent, PELL Grants;
66 percent, National Direct Student Loans (NDSL);
55 percent, SEOG;
31 percent, Guaranteed Student Loans.

At the same time, like other independent colleges, Clarke has sought gift income to specifically help students finance their education as is evidenced by the following:

In 1981-82, Clarke provided $249,000 to assist students;
In 1983-84, $588,920; and
In 1984-85, $729,705.

In reality, this $729,605 reflects approximately 20 percent of our total operating budget. Clarke is fortunate to be able to maintain this commitment while operating in the black. Many colleges are not as able.

Financial aid does not provide "free rides" as some espouse; rather it eases the staggering debts that students and families incur. Some graduates will leave Clarke next month with debts in excess of $10,000.

I also urge you to consider the economic woes which regions such as Iowa face. Many of our students and their parents are from rural areas which are struggling to make ends meet. Their assets may look good next to current financial aid guidelines, yet most of their assets are tied up in farm equipment and other operating costs. They do not have cash and few can turn to banks for loans for their children's education. Further cutbacks in aid could easily dash their hopes for a college education.

In making revision in student aid, the following is urged. Focus needs to be placed on:

Middle income Americans. They are the most severely affected economically;
Low income students should continue to be highlighted;
The goal of providing college choice is critical;
Regional conditions should be considered, i.e., farm families;
PELL Grants should be more sensitive to tuition expenses. Every effort should be made to close the tuition gap;
Revise SEOG allocation procedures;
Extend Work-Study Program;
Extend the NDSL Program and expand forgiveness/cancellation options. Collection procedures need to be changed. There are serious flaws in the present system. Incentives should be established for schools with low default rates. Why are colleges like Clarke, with a default rate of less than one percent, penalized because of our low default rate—the allocation for Clarke for 1985-86 is zero—while other institutions with high default rates continue to receive funding.

The GSL Program is a help and not a hindrance to students—it, or a comparable program, should be available for students with need.

I urge you to do all in your power not to cut funding levels in the Federal Student Aid Program. Imagine the state of affairs . . . if:

One-third of our students could not return because of Federal cuts in aid;

What the city of Dubuque would do if the three colleges (Clarke, Loras, and the University of Dubuque) were adversely affected since we are the fourth largest employer in the city;

What the state of Iowa, supported by twenty-seven independent institutions, would do if tax money had to be used to educate students not able to attend independent colleges and universities—$60,000,000 annually.

Also note—regarding Iowa's independent colleges and universities:

We have an economic impact (annually) on the state of $371,500,000;
We enroll 37,000 students—67 percent are Iowans;
We educate 27 percent of the students and award 48 percent of the degrees;
During the past five years—68 percent of our students remain in Iowa compared with 47 percent of students from regent's universities.

Independent colleges are a strong corpus of this nation's education system. We have balanced our budgets, tightened our belts while continuing to provide that personalized, holistic education for students of all incomes and walks of life.

The loss will be far greater than financial if Congress chooses cost-cutting options. We will be losing tomorrow's promise in its youth and educational system.

Mr. FORD. Thank you. Ms. Goodall.

STATEMENT OF DEBORA GOODALL, DIRECTOR, FINANCIAL AID, COE COLLEGE, CEDAR RAPIDS, IA

Ms. GOODALL. I, too, would like to welcome all of you to Coe College, this morning, especially Congressman Ford and Congressman Tauke, for taking time out of their busy schedule to hold this hearing here in Cedar Rapids.

This current year, Coe has 974 full-time students enrolled. Of these 974 students, 90 percent of them are receiving some type of financial assistance, totaling $4,707,554. Of the students on financial aid, 92 percent of them are also receiving funds from Coe College itself. Coe is very committed to helping its students fill their need.

This year, we are providing $1,825,473 from Coe's own funds to help students fill their financial needs. Many of our students are part of the first generation of their family to attend college, for most of the Coe students come from very middle-income families. During this current academic year, the average parental income of our students is $24,518. Contrary to what many people may think, Coe is not a school that serves only the wealthy.

I've looked at the ways in which the proposed reductions to Federal financial aid would affect students at Coe. The first idea that we're talking about is the Guaranteed Student Loan Program, and imposing a $32,500 income ceiling on this program. This current year, Coe as 423 students who are using the Guaranteed Student Loan Program. If a proposal of this nature were to go into effect, 77 of these students would no longer be eligible to borrow under this program.

This year, these 77 students borrowed a total of $152,771. Income ceilings of this type do not take into account family sizes or number of students attending college. For example, a family of three, with one child in college, that makes $33,000—slightly over that $32,500 maximum, may be able to send their son or daughter to Coe College. However, a family of seven, with one in college, or a family of four with two in college, probably could not afford to send their son and daughter to Coe College if they were only making $33,000 a year.

Another proposal that is being considered is placing an income ceiling of $25,000 on those who can receive the Pell Grant or campus based aid. Currently, 169 of our Coe students would be affected by this proposal. This year, these students are receiving $251,708 from such sources as the Pell Grant, Supplemental Educational Opportunity Grant, College Work Study, and National Direct Student Loan programs.

There is also a proposal to limit the total amount of Federal aid to $4,000 per student. Of all the proposed reductions, this one would have the most serious affect on students at Coe, and at private colleges in general. The types of aid that we are talking about here, are again, the Pell Grant, Supplemental Educational Oppor-

tunity Grant, College Work Study, National Direct Student Loan, and Guaranteed Student Loan programs.

I've looked through our records and took, as an example, a very high need student, and for illustration purposes this morning, we will call her Mary Smith. Mary has a need this year of $7,500. To fill her need, her financial aid package consisted of a Coe Grant of $2,075; a Pell Grant of $1,650; a Supplemental Educational Opportunity Grant of $1,000; she was able to earn $550 under the College Work Study Program, and borrowed $2,225 under the National Direct Student Loan Program.

The total of $7,500 in financial aid. In addition, Mary also borrowed $1,300 under the Guranteed Student Loan Program to help cover such expenses as books, supplies, and other personal expenses. This year, Mary is receiving a total of $6,725 in Federal aid. If a proposal of this nature goes into effect, the maximum amount of Federal aid that Mary, or a student of her type, would be able to receive would be $4,000.

This means that the student—or the institution—would need to come up with an additional $2,725 to give her a comparable financial aid package. I don't see any way that small private colleges, such as Coe, would be able to make up the loss of Federal funds. I'm sure a student like Mary Smith would be unable to continue her education at Coe if her financial aid package was reduced by $2,725.

The $4,000 cap on Federal aid would have a very serious impact on private colleges, as I mentioned. This proposal would also have serious ramifications for high need students attending public institutions. As an example, a needy student who is receiving a Pell Grant of $2,100, would not even be able to secure the maximum $2,500 guaranteed student loan.

During this current year, Coe has 198 students who are receiving $4,000 or more in Federal aid. They are receiving a total of $238,797 in excess of the $4,000. This proposal would also have greater effect every time a school were to raise its tuition. Of all of these proposed reductions to financial aid, 407 of our current students would be affected.

This is nearly 50 percent of our students who are receiving financial aid. If proposals of this nature were to go into effect, many many students now attending private institutions, or thinking about attending private institutions, would be forced to attend state-supported colleges or universities.

Could the state universities or community colleges handle all these additional students? I doubt it. Eventually, public institutions would need to construct new buildings, add new faculty to accommodate the increase in student population. Such additions would require additional state and federal funds.

Instead of increasing the size of the public universities why not utilize the valuable resources that are available at our private colleges? The publicity that these proposed reductions have already received may be adversely affecting the private colleges. Many prospective students are beginning to worry about the future of Federal financial aid.

They are starting to rule out a private education because they feel, in several years, they will not be able to continue their educa-

tion at a private college. At Coe, we have recently seen a drop in the number of new applications for admission. Through the month of February, Coe had more applications then they had one year earlier.

However, during the month of March, Coe saw a decline in the number of applications for admission. On March 31 of this year, Coe had 591 applications for admission, as compared to 618 on March 31 of last year. I think we saw a phenomenon similar to this occur several years ago, with the Guaranteed Student Loan Program.

At that time, many people misunderstood what they heard in the media. Many parents thought that if they earned over $30,000, their child would not be eligible to borrow under the Guaranteed Student Loan Program. This perception was very incorrect. Many students who come from families that earn greater than $30,000 a year, are in fact eligible to borrow under the Guaranteed Student Loan Program.

They first must demonstrate that they need the loan to be able to borrow under that program.

In closing, I want to say that I understand the serious financial condition that this country is in. However, I think there is a great need to reduce Federal spending. However, in the area of education, I think the current funding level should be preserved. There is no price tag you can place on the value of an education.

This country's future lies in the hands of its young people. These young people will need the best education they can possibly get. They are the ones who will be making the decisions of the future.

Thank you.

[Prepared statement of Debora Goodall follows:]

PREPARED STATEMENT OF DEBORA A. GOODALL, DIRECTOR OF FINANCIAL AID, COE COLLEGE, CEDAR RAPIDS, IA

Coe College has 974 full-time students enrolled during the 1984-85 academic year. 878 of these students are receiving some type of financial aid. A total of $4,707,554 in financial aid was awarded to these students. Of the 878 students on financial aid, 805 are receiving financial aid from Coe College totalling $1,825,473. This figure represents 22% of Coe's total operating budget. As you can see, in addition to federal and state funds, Coe adds a lot of it's own resources to help cover the documented need of it's students.

For many of our students, they are part of the first generation in their family to attend college. Most of the Coe students come from very middle income families. During the 1984-85 academic year the average parental income of our students is $24,518. Contrary to what many people may think, Coe is not a college that serves only the wealthy.

I have reviewed the ways in which the proposed reductions in federal student aid would impact students at Coe College.

GUARANTEED STUDENT LOAN—$32,500 INCOME CEILING

77 of the current 423 Guaranteed Student Loan borrowers would no longer be eligible to borrow under this program if an income ceiling of $32,500 was imposed. During 1984-85 these 77 students borrowed a total of $152,771.

The family income cut-offs do not take into effect the student's household size or number of family members attending college. A family of 3 with 1 in college that makes $33,000 or number of family members attendings college. A family of 3 with 1 in college that makes $33,000 per year may be able to send their son or daughter to Coe without a GSL. However, a family of 7 with 1 in college or a family of 4 with 2 in college each making $33,000 probably could not afford to send a child to Coe without a GSL.

PELL GRANTS AND CAMPUS BASED AID—$25,000 INCOME CEILING

169 of the current Coe student are from families that make more than $25,000, would no longer be eligible to receive Pell Grants or campus based aid (SEOG, CWS, NDSL). During 1984-85 these students received a total of $251,708 from federal sources.

LIMIT OF $4,000 IN COMBINED FEDERAL AID

Of all the prposed cuts, I think this one would have the greatest impact on Coe and other private colleges. The proposal says that the maximum amount of federal aid a student could receive would be $4,000. The types of aid that would be included are Pell Grants, Supplemental Educational Opportunity Grants (SEOG), College Work Study, National Direct Student Loans (NDSL), and Guaranteed Student Loans (GSL).

High need students would be seriously affected by this proposal. To show you an example: Mary Smith has a need of $7,500. During 1984-85 her Financial Aid Package looked like this:

Coe grant	$2,075
Pell grant	1,650
SEOG	1,000
College work study	550
NDSL	2,225
Total	7,500

She also borrowed $1,300 under the Guaranteed Student Loan program to cover her books, supplies and personal expenses. Mary is receiving $6,725 in federal aid.

If this proposal goes into effect the maximum amount of federal aid Mary could receive during 1986-87 would be $4,000. This means that Mary or Coe College would need to come up with an additional $2,725.

I don't see any way small, private college like Coe could make up the loss of federal funds. I am sure a student like Mary Smith would not be able to continue her education at Coe if her total financial aid package was reduced by $2,725.

The $4,000 cap on federal aid would have a very serious impact on private colleges. This proposal would also have serious ramifications for high need students attending public supported institutions. As an example, a needy student who is receiving a Pell Grant of $2,100 would not even be able to secure the maximum Guaranteed Student Loan of $2,500.

During 1985-86, 198 Coe students are receiving federal financial aid in excess of $4,000. The total amount these students are receiving in excess $4,000 is $238,797. This proposal would have a much greater effect everytime a college increases it's tuition.

A total of 407 of the current Coe students would be effected one way or another by these proposed reductions to federal financial aid.

If propoals of this nature were to go into effect, many, many students who are now attending or thinking about attending private colleges would be forced to attend a state supported college or university. Could the state universities and community colleges handle all these additional students? I doubt it. Eventually public institutions would need to construct new buildings and add faculty to accommodate the increase in student population. Such additions would require additional state and federal funds. Instead of increasing the size of public universities why not utilize the valuable resources that are available at our private colleges?

The publicity that these proposed reductions have received, may already be adversely affecting private colleges. Many prospective students are beginning to worry about the future of federal financial aid. They are starting to rule out a private education because they feel in several years they will not be able to continue their education at a private college.

At Coe we have recently seen a drop in the number of new applications for admission. Through the month of February, Coe had more applications than they had one year earlier. During March, Coe saw a decline in the number of applications. On March 31, 1985, Coe College had 591 applications for admission as compared to 618 on March 31, 1984.

I think we saw a phenomenon similar to this occur several years ago with the Guaranteed Student Loan Program. At that time many people misunderstood what they heard from the media. Many parents though if they earned over $30,000, their child would not be eligible to borrow under the Guaranteed Student Loan Program. This perception was very incorrect. Many students who come from families that

make over $30,000 a year are eligible to borrow under the Guaranteed Student Loan Program. However, they must first show "need" for the loan.

I understand the serious financial position this country is in. I know there is a great need to reduce federal spending. In the area of education however, I think the current level of funding should be preserved. There is no price tag you can place on the value of education. This country's future lies in the hands of it's young people. These young people need the best education possible. They are the ones who will be *making the decisions of the future.*

Mr. FORD. Thank you, very much. I'm moved to comment, Ms. Goodall, by a couple of things you said at the end of your statement. The first one is, that no one in Washington is talking about reducing Government spending.

There is no question that we will spend more money this next fiscal year, than we're spending in the current fiscal year. What we're talking about is the deficit which is the difference between what we take in and what we spend. And Congress shares responsibility with the President, although not in every instance, for the fact that we have increased spending in some areas, most noteworthy, defense, by an unprecedented amount, at the same time we reduced the tax revenue to the Government.

So even though we will spend more money next year, we will have relatively fewer dollars to offset it, and it is important to bear in mind, that when you're talking about deficit reduction, you don't solve the problem unless you reduce defense spending and start getting some more money.

I'm very happy that you mentioned the importance of perception to the students. We even hesitate a little bit about being out here with a hearing like this, because we don't want to be out here frightening people into believing that draconian cuts in these programs are likely to occur, and therefore, they should riot in the streets.

It wouldn't displease me to see a little bit more activity like I saw on television last night down at your State University. Nevertheless, we do know that in 1981, when there was considerable publicity, as you mentioned here, given to the initial action taken with respect to Guaranteed Student Loans, that that stuck with the people. And people began making decisions about where they were going to school, or whether they were going to school, and never bothered to come in and see people like you in the student aid office, to find out if it was true.

We've had institutions tell us that they had as much as a 22-percent drop in the next enrollment period after that period of publicity. While this committee is not in a position to promise anything with regard to how this is going to turn out, I think it's safe to say that it is not going to be as bad as it has appeared up until now. I don't sense that there is any strong support for the most serious of these things, in either political party.

And there's no real difference between the people from the urban areas and the rural areas, and the north and the south. There seems to be throughout the Congress, the same kind of concern that you've expressed. Obviously, we're all under the pressure of doing our share to reduce the deficit, and that puts us under the gun.

Dr. Feld, you mentioned that you thought that no one should be an independent student under the age of 21. And I believe you said

because families should not be able to avoid their responsibility before 21. Perhaps, with your student population, you think family existence and responsible action is the norm.

It isn't, I have to assure you. When you use an arbitrary age limit, what do you do about the young person who has dropped out of school for whatever reason, has alienated that family, and now decides that the smart thing to do is to get back and get some education.

We had testimony, for example, about secretarial schools in New York City that teach basic entry level skills primarily to young women, and we were given a stereotype that went like this:

A stereotype of a Hispanic young woman, 19 years old, with 2 children, without a high school diploma, who is totally incapable of earning enough money to support those children, who put them in a day care center, went to school, came home at night, took care of them, indeed found a sitter and worked on the weekends, part time. How can you not refer to that person as independent, because for a variety of reasons, the family has decided she's no longer worthy of their support.

Now, what do we do? Do we keep her on welfare with her kids for the rest of her life, or do we say to her that what we're really all about here is providing some assistance?

Dr. FELD. I agree.

Mr. FORD. Well, even the administration has backed away from the 22-year-olds. As far as I know from the summary we have of the agreement, or tentative agreement, that the Republicans in the Senate have with the White House, they've replaced an arbitrary 22-year-age limit with a 3-year independent status. Let me ask you, and I'll ask this of all of you, is it practical for us to begin thinking about giving to the institutions, enough flexibility so that they could examine these applicants for aid on a more individual basis, without a whole lot of very restrictive criteria, to determine whether or not they were in fact people without resources from their family or other sources, that needed the aid?

Could we trust you to do that? I don't suggest that it would be easy to get the Congress to do that, but it's one of the things that we haven't tried. And everybody is concerned about whether or not people who declare themselves independent are in fact independent, or is this just a way for the family to avoid its responsibility.

Would it be practical for you to work this out yourself?

Dr. FELD. Thank you, Mr. Chairman.

Your suggestion about the rigidity—I think my suggestion regarding the parental responsibility is, obviously, not targeted at the independent example that you gave.

But I do think some discretion in the needs analysis—I do think it can be done and ought to be done, in terms of providing that kind of flexibility. I would be very, very supportive of that kind of an effort.

Sister DUNN. I agree with that, and I do think we're scrupulous with not only Federal money but our own money. And perhaps maybe there could be some accountability built in with regard to the institutions, to safeguard the use of that money.

Ms. GOODALL. I would agree with Dr. Feld and Sister Catherine, that I think that it could be up to these schools' discretion of deter-

mining whether a student is independent or not. I think that would work very well.

Mr. FORD. In your example of Mary Smith, you totaled up the various ways that she would put together a $7,500 package, starting with $2,075 from Coe——

Ms. GOODALL. Yes.

Mr. FORD. If we were to say that in the case where you determined that a student, a particular student was needy enough to require help from your own resources—that under those circumstances you could be trusted to make that determination with respect to our resources at the same time —would that go far enough to help?

Ms. GOODALL. Yes, I think so.

Mr. FORD. Now, let me also call your attention to the numbers you've put in the record.

You show a Coe Grant of $2,075, a Pell Grant of $1,650—and that's Government money.

Ms. GOODALL. Yes.

Mr. FORD. An SEOG of $1,100—that's Government money.

College work-study, $550—that's money that the student earns by working.

For NDSL, $2,225—that's private money loaned to the student by a bank, savings and loan, or a credit union.

So, out of that whole $7,500 you've got there, you've only got $2,650 coming out of this year's Treasury of Uncle Sam, unless you look at the work-study as a grant, rather than as a supplement to the school which translates it into wages for a student.

So that actually the student is getting a free ride, if you will, for less than one-third of your $7,500—considerably less than one-third.

Ms. GOODALL. Excuse me. The National Direct Student Loan, we receive Federal funds. That is not through a lender.

Mr. FORD. Oh, pardon me. I thought that was a GSL.

Ms. GOODALL. The GSL below that, on the line below it, the $1,300, it's from a lender.

Mr. FORD. So, then you use the $1,300 from the GSL to get to the $8,800, which is your——

Ms. GOODALL. Yes, which is our budget. Yes.

Mr. FORD. So that the $2,225 is part of this year's contribution from the Federal Government and your accumulated reserves from collecting previous loans?

Ms. GOODALL. That's correct.

Mr. FORD. So that would be a little harder to break out and determine what part of that reflects the cost to us this year.

Ms. GOODALL. Right.

Mr. FORD. It's a long way, however, from the Secretary's suggestion that we give young people $8,800 to go to your school.

Ms. GOODALL. Right. That is definitely true.

Mr. FORD. That, unfortunately, is the impression that's been left with the American people.

Now, again, Dr. Feld, I was interested when you mentioned that, in repayment, that it would really make more sense if we could make a repayment schedule income-sensitive.

Indeed, in 1980, we did. We provided that if a student had two or more loans, they could consolidate those loans for repayment, renegotiate a single rate of payment that would be income-sensitive; not in the sense of charging a doctor more than a nurse, but income-sensitive in that the payments during the first period of the loan would be at one level, then they would increase in size, presumably in tandem with the increase in the earning capacity of the college graduate.

That, unfortunately, has fallen through the cracks in the last few years because it has been extremely difficult to take care of those things while we fight the big fires, and the consolidation program is, temporarily at least, in limbo.

We found, as a matter of fact, as you had probably assumed, in making that suggestion, that the collection rate was very good for those consolidated loans, because you were giving somebody a single manageable debt under circumstances that made sense to them.

And just the very fact that you got them involved in a consolidation process made it clear in their minds that this was an obligation they had to pay back. I expect that in reauthorization we'll be able to try to recapture that idea again. But I'm glad to see it start to come into the record this early, because that's where we got it in the first place, from people like yourself, who look at these things, fortunately, a little better than most of our technicians in Washington, with a little bit of Midwestern horse sense.

Thank you very much.

Mr. Tauke.

Mr. TAUKE. Well, thank you very much, Mr. Chairman.

The testimony was very good, but I don't think you answered the essential philosophical question that keeps cropping up in our discussions of this issue. And that is why should the Federal taxpayers subsidize a student who goes to your college when there are cheaper alternatives available?

[Pause.]

Sister DUNN. I attempted to do that, Tom, in saying that, No. 1, we've always, in our Nation, respected choice. And I think that students ought to be able to go to those institutions where they feel their gifts, their talents, their abilities will be most enhanced.

And I do believe that liberal arts independent institutions have some quality and some foundation that is attractive to some students.

And take the other side, the flip side of that coin, look at the leaders in our country and the institutions that they've graduated from. And that's not putting aside the public institutions. I graduated from a public undergraduate institution, but had all but 30 hours of my work in liberal arts independent institutions. So, I'm not putting that down. There's great strength there, too.

But I really believe that there are—we have something to offer to our Nation, as institutions, that other institutions don't have. And that's been that rich fiber of our country that I referred to in my testimony.

Dr. FELD. I would like to say a public figure of some notoriety of late who says, "All parents, regardless of income should be able to choose environments that affirm their own best principles, schools

where their own values will be extended instead of lost." which happens to be Mr. Bennett, speaking about the tuition tax credit, rather than speaking about higher education. But I think he does essentially say something there, that I think some students are better off attending a public university, some students are better off attending a community college, some students are better off attending a private college that fits their own particular needs and values. I think we need to give them that kind of choice.

But I'd also like to point out that there's not a differential in cost. Essentially the costs of these institutions are pretty much the same. The question is, in terms of the price, who pays? Largely, the State taxpayer is paying for the community colleges and the public institutions, where that is not the case in the private institutions.

Mr. TAUKE. Let me try to pull something else out of you now. Ms. Goodall talked about the kind of student that Coe College serves. There is the view that many private colleges serve primarily higher income students.

Do you have any information on the kind of student, in terms of income level of family, that Clarke College serves or that Mount Mercy serves?

Ms. GOODALL. I can share with you that the average income of a Clarke student is about $23,000. That's——

Mr. FORD. That's combined family income?

Ms. GOODALL [continuing]. Family income, yes.

And it ranges up and down from there.

We have no $100,000 income people, as Secretary Bennett referred to, in our institution. We do have some people—they are minorities—who come from families in the $79,000 to $80,000 bracket. We also have many who are far below $18,000.

So, we don't—that's a myth. We don't have students from wealthy families.

Mr. TAUKE. Dr. Feld.

Dr. FELD. I could give you a breakdown by income category.

Let me give you the first two, as illustrative of the 895 of parental income in reaching to the—what is the average parental income of $20,700.

Now, 290 of our full-time students have an adjusted gross income of less than $10,000. That's 32 percent of our students.

And 173, or 19.3 percent of our students have incomes between $10,000 and $19,999.

That means over 50 percent of our students have adjusted gross incomes of less than $19,000.

When we reach to the $50,000-and-above category, we have 42 of those students enrolled at our institution, which constitutes 4.7 percent of our enrollment. And those are largely the parents that we call on to give to the college to help support our financial aid program.

Mr. TAUKE. Now, let me talk to you about another assertion that is made.

The suggestion is that the prices charged by private institutions have increased substantially over the last 3 to 4 years and that, in effect, the private institutions are jacking up their tuition charges and other charges in order to milk the Federal Treasury.

Sister DUNN. I'd like to address that.

Mr. TAUKE. I figured somebody would. [Laughter.]

Sister DUNN. I mentioned the efforts we've made to bring in gift income to assist our students so that we do not have to raise the tuition of our students. Our tuition arises for next year are under $500—tuition, room, and board are under $500. And I think that's very reasonable.

So, we've made—that's not—I would just have to categorically deny that that's true.

We've made every effort to bring in supplemental income to our institution to assist students and make them capable of an education at our institution.

Dr. FELD. I think that's—I don't know, that question almost baits me to really——

Mr. TAUKE. We're trying. [Laughter.]

Dr. FELD. Yes, you are trying. [Laughter.]

I get that feeling—you're trying.

I did cite, in fact, the programs that have already been abolished that the college benefitted from at the Federal level, where we could largely, in 1979–80, rely basically on about a quarter of a million dollars in Federal support in a variety of areas that were essentially noncompetitive. That money doesn't exist anymore.

Mr. TAUKE. Is it not true that the costs have increased more rapidly than the inflation rate for private institutions over the last 5 years?

Dr. FELD. Basically, I think that has been true.

Mr. TAUKE. Why is that?

Dr. FELD. Well, I just pointed out, for one thing, that the Federal Government has cut in areas that the colleges had to make up for, from the one standpoint.

From a second standpoint, colleges are still reeling effectively from the victims of inflation, where between the periods——

Mr. FORD. Well, let me interrupt there, Tom. You just touched the magic number. We did a 10-year survey for the period before 5 years ago and found that while inflation was double digit for a good part of that time, the average annual increase in tuition was 7 percent.

So, along with your question, what—was it true about the last 5 years—where did you rank in the previous 10 years with inflation, during the years of the raging double-digit inflation?

Dr. FELD. We were certainly below the inflation rates at that point.

But we're also being criticized by Mr. Bennett, that higher education generally is not offering enough quality. We're trying to respond to that. It's difficult to respond to that without spending more money, particularly in the case of all three of the institutions represented here, we're putting the heavy emphasis in upgrading on computer technology and that kind of area, which add cost to the institution.

And we have to recognize that in the period of 1974 to 1981 that faculty salaries nationally and in our institutions alike declined effectively in purchasing power 27 percent.

We're attempting to retain and recruit the finest and best faculty that we have and we're trying to make up for that a little bit. And that's part of the reason, also. It's not a simple kind of an

analysis. But we can tell you, in the printing costs, from 1974 to 1981, the costs increased 300 percent.

Now, those of us trying to maintain adequate libraries and so forth, we're still reeling from the effects of that inflationary cycle. None of us desire to increase tuition rates at all, if possible, but not possible. We're trying to make up for mandated costs on us, we're trying to make up for the costs of inflation, and we're constantly trying to upgrade our educational program in terms of quality.

Mr. TAUKE. Thank you.

You've all given good testimony, which I think will create a very good record.

And I would like, with your permission, Sister Catherine, to include your recent letter to me on the NDSL problem, because I think that's something that we need to look at.

Mr. FORD. No objection to placing it in the record at this point.

[Letter from Sister Dunn to Hon. Tom Tauke follows:]

DUBUQUE, IA, *March 15, 1985.*

Congressman TOM TAUKE,
Cannon House Office Building,
Washington, DC.

DEAR TOM: Enclosed are appeals to the Washington Office for the National Direct Student Loan Program on behalf of Clarke College. We have been awarded zero money for this year. We have a problem this year . . . due to the fire, but all past years show a marvelous record of collection of NDSL Money.

I ask you, Tom, to do all that you can on our behalf to give us the amount of money that we need for this program. Sister Michail Geary has worked diligently for a number of years and it is the reason why our program of collection is so successful. When we were in Washington and visited you, I expressed concern about the fact that enough is not be done to those institutions that have default rates that are high and yet I will bet you that if you look at the appropriations of allotments of money for those institutions for the year, they will be getting significant amounts of money. Somehow there ought to be rewards provided for those of us who do a good job instead of receiving an allotment back of zero. Anything that you can do on our behalf will be greatly, greatly appreciated.

Sincerely,

CATHERINE DUNN, BVM,
President.

Enclosure.

Dubuque, IA, March 12, 1985.

APPEALS, NDSL, Post Office Box 23914, L'Enfant Plaza, Washington, DC.

Institution: Clarke College, 1550 Clarke Drive, Dubuque, Iowa 52001.
Entity Number: 1-42-0680408-A1; Serial Number: 1416.
Type of Institution: Private/Non-Profit.
Length/Type of Program: 5 years or more.
Appeal Item: 1.
Appeal Item Name.: 10 percent per year increase in collections.
Preparer: Sr. Michail Geary, Assistant to Business Manager.
Signature: Sr. Michail Geary.
Appeal Item Name: NDSL Federal Capital Contribution—10 percent Collection Increase.
Reason for Appeal: The assumed 10 percent increase per year is not realistic for Clarke for 1985–86.
Information:
a. Total dollars actually collected in the 1982–83 award year: $88,998.
b. Amounts actually collected in the 1983–84 award year: $93,276. See #d,e below for monthly collections.
c. Percent of increase from 1982–83 to 1983–84: 4.8 percent.

	1983–84	1984–85	1985–86
d.e. Monthly collections:			
July	$5,409	$5,350	$5,400
August	10,804	9,001	[1] 9,100
September	3,981	4,225	[1] 4,300
October	8,465	6,806	[1] 6,800
November	8,154	9,454	[1] 9,500
December	4,093	3,650	[1] 3,700
January	9,446	7,897	[1] 7,900
February	8,816	8,928	[1] 9,000
March	6,943	[1] 6,900	[1] 7,000
April	3,593	[1] 3,500	[1] 3,500
May	15,023	[1] 14,000	[1] 14,400
June	8,549	[1] 8,500	[1] 8,700
Total	93,276	88,211	89,300

[1] Projections.

f. The increase in collections in 1983–84 was due mainly to several prepayments totaling $5,104. This pattern is not likely to be repeated.

g. Reasons why Clarke's collections will not increase by 10 percent and why our default/pastdue record cannot be improved:

(1) Clarke still has borrowers who are paying less than $30 per month. These are borrowers who were in the program when payments could be spread over a ten-year period. Most of them are or have been in graduate study. 45 of our borrowers are in this category, paying between $15 and $27.50 per month.

(2) Our default/pastdue record has gone up slightly but is still good. The reason for the increase is the difficulty in obtaining jobs.

(3) Our work in pursing delinquent borrowers has undoubtedly been affected by the major fire which Clarke suffered last May. All offices had to be relocated and valuable time was lost. We are just beginning to get back to normal.

h. An increase of 2 percent in collections would seem realistic at this time.

i. Clarke College's default rates:

1981–82: 1.21 percent.
1982–83: 1.39 percent.
1983–84: 1.59 percent.

Mr. FORD. And thank you for joining us this morning.

Ms. GOODALL. Thank you.

Mr. FORD. I would like to—before the next panel—make one observation to you. We have a summary of the so-called "compromise" between the Budget Committee on the Senate side and the White House on these issues.

The record of this committee presently stands with an unqualified statement by the Secretary that there are 13,000 students from families of $100,000 income for whom the taxpayers are paying the bill. And we have been requesting the Department to give us some basis for this.

However, in this compromise, they are using Mr. Stockman's numbers, not the Congressional Budget Office. There's a considerable disagreement.

In the package that was negotiated by the White House, they come up with a $352 million savings for this year in our programs; while the Congressional Budget Office says that if you do the things they're saying, then we'll only save $150 to $160 million. So, there's about a 50 percent difference in the two budget offices and how they assume the numbers will work.

But one of the items is GSL adjusted gross income cap at $60,000. Mr. Stockman's shop said that if you put a $60,000 cap on, not $100,000, he would save $2 million.

Now, $2 million won't put 13,000 kids in school. And when you drop from $100,000 to $60,000, you have only $2 million. It indicates to me that somebody over at the Department of Education hasn't got the same numbers that Mr. Stockman has.

That's a shocking disparity, because it very clearly shows that no one except the Secretary believes that to be true; although, unfortunately, it's been said by other people.

Thank you very much.

Ms. GOODALL. Thank you.

Dr. FELD. Thank you.

Mr. FORD. Dr. Constantine Curris, president of the University of Northern Iowa in Cedar Falls.

Dr. John E. Moore, director of admissions and financial aid at the University of Iowa, Iowa City.

Dr. Bill Stewart, president, Kirkwood Community College in Cedar Rapids. [Pause.]

All of you have been kind enough to furnish the committee with formal prepared testimony, which will be entered in the record.

You may summarize it, add to it, comment on it, in any way that you find most convenient.

Proceed, Dr. Curris.

STATEMENT OF DR. CONSTANTINE CURRIS, PRESIDENT, UNIVERSITY OF NORTHERN IOWA, CEDAR FALLS, IA

Dr. CURRIS. I certainly appreciate the opportunity to speak before this subcommittee hearing on the reauthorization of the Higher Education Act.

This and other hearings are being held at a very critical time in this Nation's economic history. The unparalleled Federal budgetary deficit, without question, is negatively impacting our Nation, and especially the State of Iowa. Restoring fiscal sanity must be the Congress' primary concern.

Those of us who speak for higher education should willingly accept our proportionate share in that fiscal endeavor. This is really not an opportune time to speak of programmatic expansion, either for education or for any part of the Federal enterprise, including the military budget.

If a budgetary freeze will enhance fiscal responsibility, I think we should endorse that freeze; but such a freeze should extend to the entire Federal budget. It is inconceivable how or why higher education's budget—in the aggregate, $22 billion—can or should bear the brunt for a $200 billion deficit, while a $300 billion defense budget continues to grow and to grow at above inflationary rates.

Even if an across-the-board freeze would be effected, the Federal Government would still be operating beyond its means. The decision to reduce income taxes by 25 percent benefited all citizens, including individuals like myself who fall into higher tax brackets, but that decision has contributed to our soaring national debt. Some of the increase seems inevitable.

When I view the prospects of paying higher income taxes against the prospects of continued economic deterioration for the State of Iowa and its people, I cast my vote for higher taxes. I cannot sup-

port the proposition that the poor, disadvantaged, and students should pay the price for my personal tax benefits and then amortize those benefits years down the road. I would urge you, first and foremost, to freeze budgets and take whatever action is necessary to reduce significantly these damaging deficits.

And it's in that context that I think the Higher Education Act should be reauthorized at realistic fiscal levels and with keen attention given to the establishment of priorities.

I would like to suggest four priorities to you.

The first priority has been sufficiently addressed by the earlier panel. It refers to the student financial assistance programs that now command approximately $15 billion of higher education's $22 billion budget.

Our late President John Kennedy stated, in simple but inspiring words:

> The future of young people and the Nation rests in large part on their access to college and graduate education. For this country reserves its highest honors for only one kind of aristocracy, that which the founding fathers called "an aristocracy of achievement arising out of a democracy of opportunity."

There's no question but that the Federal student financial assistance programs have had a remarkable impact upon the lives of hundreds of thousands of students.

Colleges and universities have generally done an excellent job administering these programs. Indeed, abuses in the program can, in large measure, be attributed to governmental decisions to emphasize loan programs administered outside of higher education, and to the expansion of these programs, without appropriate safeguards into proprietary educational institutions.

I think we are all concerned about correcting the abuses, but we feel it is critical that we maintain those programs.

I think there is a second problem, and that's the serious problem of overrelying on student loans and the need that we have to restore a sense of balance in our student financial assistance programs.

That imbalance that exists now, this overreliance on loans, is developing a new debtor class in this country, a debtor class of college graduates. It is a sad commentary on the concept of opportunity that graduates, and some nongraduates, leave higher education $20,000 to $30,000 in debt.

What opportunities might await a young couple both of which have college debts in the aggregate of $50,000? Certainly there is no dream of owning a home. Certainly the temptations are there to seek bankruptcy or other means of ridding themselves of what they viewed was an essential debt generation.

But more importantly, can these graduates be expected to pursue careers or to accept employment in highly important but lowly compensated fields such as teaching?

There are growing socioeconomic problems in our inadvertent creation of this new debtor class.

Next, I would like to comment upon priorities for the categorical programs that are also a part of the Federal Higher Education Act.

May I suggest a funding principle. Federal categorical programs should be designed to create opportunities to stimulate innovation and change and to promote national educational priorities.

Conversely, the categorical programs which merit the least support and should have the lowest priority are those programs that provide ongoing financial support that achieve few results except, unfortunately, creating an opiate-like dependency on Federal funding.

I think, in hard times, we do need to establish priorities. Let me identify three that I would urge the committee to look at closely.

I would urge reauthorization of the Special Services for the Disadvantaged, or the so-called TRIO Programs. The Upward Bound Program, in particular, has been inordinately productive in providing educational opportunities for people that would otherwise have them.

Second, I would urge reauthorization and a reconstruction of the Title V Teacher Training Program. And I use the word "reconstruction," because several programs under this title have not been funded. And obviously some kind of reconfiguration is needed in order that funding can be achieved.

This past year I had the privilege of serving the State of Iowa as chair of a statewide task force studying teacher education and certification. It was a learning experience for me.

One overwhelming conclusion came from that study. We will experience in this country a serious nationwide teacher shortage in the early 1990's and a shortage that will extend into virtually all fields.

Contemporary concerns about a sufficient number of adequately prepared math and science teachers will pale in comparison to the overall program of teacher shortages. Unlike previous shortages, this Nation will not be able to fall back upon a large pool of women wishing to pursue teaching careers. Women are choosing other careers almost in the proportions that men choose those careers.

Last, I would suggest priority be accorded to the Title VI International Education portion of the act. Without question, a renaissance in international studies and education is needed throughout this Nation; but this goes beyond altruistic concerns. I think this goes to pragmatic concerns.

Some, without fear of condemnation, may well suggest that the security of our Nation is much better served by full funding of foreign language and international education and business programs than through the development of vulnerable and redundant missile systems. The lack of global literacy is a major shortcoming in this society and one that manifests itself through simplistic analyses and fragile conclusions and one which, unfortunately, will handicap the economic development and the political maturity of this Nation for many years to come.

If the Congress agrees that this constitutes a national priority, I would hope for strong reauthorization language and appropriate funding.

Representative Ford, Representative Tauke, members of the committee, fellow citizens, I, too, extend a warm welcome to Iowa and express our collective appreciation for the opportunity to participate in this hearing.

[Prepared statement of Dr. Constantine Curris follows:]

PREPARED STATEMENT OF DR. CONSTANTINE CURRIS, PRESIDENT, UNIVERSITY OF NORTHERN IOWA, CEDAR FALLS, IA

Representatives, Committee Staff Members, and Fellow Citizens: As President of the University of Northern Iowa, I appreciate the opportunity to offer these comments at this hearing on the Reauthorization of Higher Education Act, a reauthorization which I strongly support.

This and other hearings are being held at a very crucial time in this nation's economic history. The unparalleled federal budgetary deficit is negatively impacting our nation, and especially the State of Iowa. Restoring fiscal sanity must be the Congress's primary concern, and merits the nation's highest priority. Those of us who speak for higher education should willingly accept our proportionate share in that fiscal endeavor. This is not an opportune time to speak of programmatic expansion either for higher education or any part of the federal enterprise, including the military budget. If a budgetary freeze will enhance fiscal responsibility, we endorse that freeze, but such a freeze should extend to the entire federal budget. It is inconceivable how or why the higher education budget, in the aggregate $22 billion dollars, can or should bear the brunt for a $200 billion dollar deficit, while a $300 billion dollar defense budget continues to grow at above inflationary rates.

Even if an across-the-board freeze would be effected, the federal government would still be operating beyond its means. The decision to reduce income taxes by 25% benefitted all citizens, including individuals like myself who fall into higher tax brackets, but that decision has contributed to our soaring national debt. Some tax increase appears inevitable. When I view the prospects of paying higher income taxes against the prospects of continued economic deterioration for the State of Iowa and its people, I cast my vote for higher taxes. I cannot support the proposition that the poor, the disadvantaged, and students should pay the price for my personal tax benefits. I urge you to freeze budgets and take whatever action is necessary to reduce these damaging budgetary deficits.

In that context, the higher education act should be reauthorized at realistic fiscal levels and with keen attention given to the establishment of priorities for higher education. I would like to suggest four priorities.

The first priority, now commanding 15 of higher education's 22 billion dollar budget, is student financial assistance. Our late President John F. Kennedy stated in simple but inspiring words,

"The future of young people and the Nation rests in large part on their access to college and graduate education. For this country reserves its highest honors for only one kind of aristocracy—that which the Founding Fathers called 'an aristocracy of achievement arising out of democracy of opportunity.' "

The establishment and growth of federal student financial assistance programs have had a remarkable impact upon the lives of hundreds of thousands of students. These programs have truly created a democracy of opportunity. Colleges and universities have generally done an excellent job administering these programs. Indeed, abuses in these programs can be attributed to governmental decisions to emphasize loan programs administered outside higher education, and to the expansion of these programs, without appropriate safeguards into proprietary educational institutions.

I support the reauthorization of the student financial assistance programs. However, I believe to address the serious problem of over-reliance on student loans we need to restore balance in these programs, placing more emphasis on entitlement program funding, supplemental grants, and work-study programs. The imbalance that has developed over the past few years has created and is continuing to create a new debtor class in this country—college graduates. It is a sad commentary on the concept of opportunity that graduates (and non-graduates) leave higher education $20–30,000 in debt, nor can we ignore Cupid. What opportunities await a young couple with $50,000 in college debts? Certainly there is no dream of owning a home. More importantly, can these graduates be expected to pursue careers or accept employment in highly important but lowly compensated fields such as teaching? There are growing social and economic problems in our inadvertent creation of this new debtor class. Student loan programs need to be constructed, and entitlement and college-work programs expanded.

Next, I would like to comment upon priorities for categorical programs, which this fiscal year total approximately 7 billion dollars. May I suggest a funding principle. Federal categorical programs should be designed to create opportunities, to stimulate innovation and change, and to promote national educational priorities. Conversely, the categorical programs which merit the least support and lowest priority are those programs providing ongoing financial support, that achieve few results except creating an opiate-like dependency upon federal funding.

With reference to suggested priorities for the higher education act, let me identify three in addition to the previously discussed student financial assistance.

I would urge reauthorization of the Special Services for the Disadvantaged, or TRIO program. The Upward Bound program, in particular, has been an inordinately productive investment in providing educational opportunities.

Secondly, I would urge reauthorization and reconstruction of Title V, the Teacher Training program. I use the word reconstruction because several programs under this title have not been funded, and a reconfiguration that could and would be funded is very important.

This past year I had the privilege of serving as Chair of a State-wide task force studying teacher education and certification in Iowa. Perhaps the most compelling finding of this Task Force is the impending nationwide teacher shortage. We are talking about a shortage more severe than what we faced in the 50's and 60's, and one that will extend into virtually all teaching fields. Contemporary concerns about insufficient numbers of adequately prepared math and science teachers will be but a minor part of the teacher shortage problem by 1990. Unlike previous shortages, the nation will not be able to fall back on a large pool of women wishing to pursue teaching careers.

Lastly, I would suggest priority be accorded to Title VI International Education. Without question, a renaissance in international studies and education is needed throughout the nation. Some, without fear of condemnation, may well suggest that the security of our nation is much better served by full funding of foreign language and international education and business programs than through the development of vulnerable and redundant missile systems. The lack of global literacy is a major shortcoming in American society, one that manifests itself through simplistic analyses and fragile conclusions, and which will handicap the economic development and political maturity of the nation for many years to come. If the Congress agrees that International Studies and Education should be a national priority, I would hope for strong reauthorization language and appropriate funding.

Members of the Committee and the Staff, may I also extend a warm welcome to Iowa and express our collective appreciation for the opportunity to participate in this hearing on the Reauthorization of the Higher Education Act.

Mr. FORD. Dr. Moore.

STATEMENT OF DR. JOHN E. MOORE, DIRECTOR OF STUDENT FINANCIAL AID, THE UNIVERSITY OF IOWA, IOWA CITY, IA

Dr. MOORE. Mr. Chairman, Mr. Tauke, I appreciate the opportunity to speak to the issue of the reauthorization of the Higher Education Act and the impact of the administration's proposal to reduce funding in the Federal financial aid program.

I am hopeful and I have heard that my comments and concerns echo the comments and concerns you and other Members of Congress have received from students, parents, and concerned higher education groups and individuals.

I know you're aware of the proposed program and dollar reductions sought by the administration and the many, many students who would be affected by these proposals.

We have prepared a separate missal, I guess I should say, that relates to the University of Iowa impact on those students. So, I will just summarize briefly here the reductions nationally and the effect on students at the University of Iowa.

The recommendations for student aid would account for all for $100 million of the $2.3 billion reduction for higher education. And as national figures show, 5.3 million current recipients would be affected across the country—about 8,000 of those students at the University of Iowa.

While reductions in Federal spending are necessary to reduce the Federal deficit, careful study during the legislative process should, once again, identify where and how much to reduce.

While the popular College Work-Study Program would be increased by $257 million, or almost 30 percent, increased eligibility requirements would eliminate 800,000 students from the Pell Grant Program. About 1,000 of these students would come from the University of Iowa.

The maximum for the basic grant would be raised to $2,100 for the Pell Grant, but the Supplemental Grant Program [SEOG] would be dropped. A cap of $4,000 would be imposed on the total student aid any student could receive from all Federal programs.

The Federal system of student aid has been among the most successful of all the programs affecting higher education. The major reason for its success is the careful balance it maintains among different forms of support. It provides both access and choice to students seeking college education. It benefits students in both public and private institutions; it offers direct help but also demands self-help through work-study, loans, and parental support.

Although these reductions would seriously affect undergraduates attending a State-supported institution, the imposition of a $4,000 cap on Federal funds would have a much more devastating effect on our graduate and professional students, who are dependent upon loan programs primarily to gain their educational goals.

Needless to say, all levels of students who are from low- to middle-income families would be closed out of most private colleges and universities.

The PLUS program is not a viable alternative in its present form.

I find no fault nor do I hear objections to the imposition of a needs test for all income levels in the Guaranteed Loan Program, rather than the open PLUS program.

I understand that just prior to the Easter recess— and Congressman Ford referred to it—the White House and key Senate Republicans have compromised in proposing a GSL income cap be raised to $60,000 and an $8,000 cost-of-attendance cap be put on Federal aid.

While the $60,000 income gap for GSL would be acceptable to the University of Iowa, most State-supported and mid-priced private schools, the $8,000 cap on the cost of attendance would still close out many students from graduate and professional programs, as well as many undergraduates at private institutions.

For example, a program of study whose cost is $12,000, the cost allowable for financial aid purposes would be limited to $8,000. If we expect family contribution of $5,000, a student's need for Federal assistance would be limited to $3,000, rather than $7,000, leaving a $4,000 gap.

This proposal is highly discriminatory to certain students and institutions, and I think it abrogates the historical commitment to remove financial barriers to students from low economic backgrounds.

The entire financial aid community wholeheartedly supports the concept that the primary responsibility for paying for postsecondary education rests, first, with the parents and, second, with the students themselves.

We also know that many parents and students are making significant financial contributions toward these costs. But in spite of these efforts, many of our families still need a helping hand to

enable them to fulfill their dreams of obtaining a postsecondary education for themselves and for their children.

We hope that the legislative hearings setting the agenda for student aid during the reauthorization process will continue to acknowledge that student aid benefits not just the students who receive it support but any others who will gain from the contributions the recipients must make to the health and economic well-being of our society.

Thank you for the opportunity to appear before you.

Mr. FORD. Thank you very much.

[Prepared statement of Dr. John Moore follows:]

PREPARED STATEMENT OF DR. JOHN E. MOORE, DIRECTOR OF STUDENT FINANCIAL AID, THE UNIVERSITY OF IOWA, IOWA CITY, IA

Mr. Chairman, members of the Subcommittee on Postsecondary Education, I appreciate the opportunity to speak to the issue of the Reauthorization of the Higher Education Act and the impact of the Administration's proposal to reduce funding in the Federal financial aid programs.

I am John Moore, director of student financial aid at the University of Iowa.

I am hopeful that my comments and concerns echo the comments and concerns you and other members of Congress have received from students, parents, and concerned higher education groups and individuals.

I know you are aware of the proposed program and dollar reductions sought by the Administration and the many, many students who would be affected by these proposals.

I will summarize very briefly those reductions nationally and the effect on students at the University of Iowa.

The recommendations for student aid would account for all but $100 million of the $2.3 billion reductions for higher education; 5.3 million current recipients would be affected. This would amount to 44,142 recipients in the State of Iowa and 6 to 8 thousand at the University. While reductions in federal spending are necessary to reduce the federal deficit, careful study during the legislative process should once again identify where and how much to reduce.

While the popular College Work-Study program would be increased by $257 million or almost 30 percent, increased eligibility requirements would eliminate 808,000 students from the Pell Grant Program. One thousand of these students would come from the University of Iowa. The maximum for the basic grant would rise to $2,100, but the Supplemental Grant Program would be dropped, an a cap of $4,000 would be imposed on the total student aid any student could receive from all federal programs.

The federal system of student aid has been among the most successful of all programs affecting higher education. The major reason for its success is the careful balance it maintains among different forms of support. It provides both access and choice to students seeking a college education. It benefits students in both public and private institutions. It offer direct help, but also demands self-help through work-study, loans, and parental support.

Although these reductions would seriously affect undergraduates attending a state supported institution, the imposition of a $4,000 cap on federal funds would have a much more devastating effect on our graduate and professional students who are dependent upon loan programs primarily to gain their educational goals.

Needless to say, all levels of students who are from low to middle income families would be closed out of most private colleges and unversities.

The PLUS program is not a viable alternative in its present form.

I find no fault nor do I hear objections to the imposition of a needs test for all income levels for the Guaranteed Student Loan program rather than an open PLUS program.

I understand that just prior to the Easter recess, the White House and key Senate Republicans have compromised on a GSL income cap of $60,000 and an $8,000 cost of attendance cap for federal aid.

While the $60,000 income cap for GSL would be acceptable at the University of Iowa, most state supported and mid-priced private schools, the $8,000 cap on cost attendance would still close out many students from graduate and professional programs as well as undergraduates at private schools.

For example, a program whose cost is $12,000, the cost allowable for financial aid purposes would be limited to $8,000. If expected family contribution was $5,000, the student's need for federal assistance would be limited to $3,000 rather than $7,000, leaving a $4,000 gap.

This proposal is highly discriminatory to certain students and institutions. It abrogates the historical commitment to remove financial barriers to students from low economic backgrounds.

The entire financial aid community wholeheartedly supports the concept that the primary responsibility for paying for postsecondary education rests first with the parents and second with the students themselves. We also know that most parents and students are making significant financial contributions toward these costs. But in spite of these efforts, many our our families still need a helping hand to enable them to fulfill their dreams of obtaining a postsecondary education for themselves and for their children.

We hope that legislative hearings setting the agenda for student aid during the reauthorization process will continue to acknowledge that student aid benefits not just the students who receive its support but any others who will gain from the contributions the recipients must make to the health and economic well-being of our society.

Thank you for the opportunity to appear before you. I would be happy to answer any questions or provide additional information.

Dr. Bill Stewart, President of Kirkwood Community College.

STATEMENT OF DR. BILL F. STEWART, PRESIDENT, KIRKWOOD COMMUNITY COLLEGE, CEDAR RAPIDS, IA

Dr. STEWART. Thank you, Chairman Ford, Congressman Tauke.

Let me say how pleased I am that you have chosen to conduct a field hearing on the Higher Education Act reauthorization, here in Cedar Rapids,

As I'm sure you know, we eastern Iowans derive tremendous benefit from the fine postsecondary educational institutions in our area, both private and public.

My own school, Kirkwood Community College, is a comprehensive public, 2-year community college that serves the 350,000 people in seven east central Iowa counties.

The college currently has an annual enrollment of 8,200 full time equivalent students and is the largest community college in Iowa.

Our college offers 65 vocational-technical programs, arts and science studies in 33 major areas, six career-option programs, and an extensive community education/continuing education program that offers classes, seminars, and workshops.

The college's main campus is located here, in Cedar Rapids, and we also maintain eight community education centers in surrounding counties. Kirkwood has been recognized nationally for its commitment to meeting community needs.

I'd like to speak to you today on behalf of Kirkwood itself and on behalf of our fellow American Association of Community and Junior College member schools. We are all greatly concerned with the fate of the Higher Education Act. All community colleges, as part of our mission, serve older, nontraditional students. The majority of American minority and handicapped college students enroll in community colleges. The average community college student is 28 years old, is employed while attending classes, and needs financial aid; 80 percent of all of our students earn less than $12,000 a year, and a great majority of them are self-supporting.

Kirkwood's own student population is large and diverse. More than 3,800 of Kirkwood's students currently receive some type of

financial aid. Of these 3,800, nearly 3,300 are recipients of funds dispensed under the auspices of the Higher Education Act.

By the end of this fiscal year, Kirkwood will have awarded nearly $2 million in Pell Grants, to approximately 2,000 students; and awarded nearly $200,000 in Supplemental Educational Opportunity Grants, to 400 students.

By June 30, 1985, the College Work-Study Program will have provided $200,000 in wages to 250 students and Kirkwood will have distributed more than $400,000 in National Direct Student Loans to 725 students.

This Federal student aid is combined with more than $3,300,000 in State assistance, which includes State of Iowa scholarships, Iowa vocational tuition grants, Iowa guaranteed student loans, and three other State programs. In total, our student body receives more than $6,300,000 in scholarships and loans, all of which are desperately needed and deeply appreciated.

These funds help students who probably would not attend Kirkwood or any college if it were not for Federal and State financial assistance.

It is therefore critical to these individuals and to all community college students that the Higher Education Act programs be reauthorized and expanded but, at the very least, maintained at their current funding levels.

The provision of financial aid is not the only portion of the Higher Education Act that is of vital interest to community colleges and to the Kirkwood community. Kirkwood has benefited from a 4-year title III grant and a 3-year special services grant. Let me touch just briefly on those two programs.

In February of 1982, Kirkwood received a 5-year, $3,520,000 title III grant. Initially, we received only a 3-year award. We secured a fourth-year award with great help from our favorite Congressman, Congressman Tauke, who had done a tremendous job. He's a great friend of education, both public and private, in this State. And he's been a great friend to our college over the years.

We are currently in the third year of that award. Thus far, we have received $1,093,213 of the $3,520,000.

We are awaiting news of our fourth and final allocation—that cannot exceed $650,000. We need the fifth and final year that has been denied us. Our award is helping raise us to a level of "educational parity" with so-called self-sufficient 2- and 4-year colleges. These funds have helped us to develop the following capabilities:

One, video self-paced courses for rural students in our off-campus centers and for the inmates in the Iowa State Men's Reformatory at Anamosa, where we have an award-winning educational program.

Two, a management information system that will, when completed, tie together all of the college's different departments and divisions for the first time, greatly expanding our ability to serve all students efficiently and economically.

Three, a computer literacy education program for faculty and students.

Four, a career-choice system for vocational-technical students that includes an outstanding videotape series.

Five, testing tools for math and composition students and new components for our math and composition curricula.

Six and finally, by the end of this fiscal year, a private fund-raising office.

Title III has been the greatest positive impact on our college over the years, more so than any other program or funding sources, including anything the State of Iowa has ever attempted.

Since Kirkwood's inception, our mission has been to accommodate students who have special problems. The TRIO programs have assisted many community and junior colleges in this type of effort.

In the past 5 years, Kirkwood has had a Special Support Services Grant Program. This program enables us to counsel, tutor, instruct, and otherwise assist 200 emotionally and economically disadvantaged students.

This year, Kirkwood will receive $91,474 from the TRIO program office. In 4 previous years, we awarded similar allocations. As things stand now, we are eligible for 2 more years, and we hope it continues.

These funds allow us to offer needs assessment, counseling, peer tutoring, cognitive skills remediation, a computer-assisted writing program, financial aid advice and educational evaluation to the 200 enrollees.

We know that Special Support Services make a big difference to those Kirkwood students.

The AACJC membership receives funds from all three TRIO offerings: Special Support Services, Upward Bound, and Talent Search Programs. We ask you to reauthorize and enlarge the funding for all TRIO programs.

In the time remaining, I want to address two additional programs from which many AACJC schools can benefit. These are title I, which has lain dormant for 5 years, and title VIII, which has reconciled theory and practice in postsecondary education programs.

I ask you that you revise title I so it can link our schools to the job market. We envision a program that helps vocational students who need basic skills remediation, state-of-the-art technical curricula and, most importantly, jobs.

We suggest that you create a competitive grants program for institutions—one that works for the students who are not college-bound and not working. The program could be used to develop training that is appropriate for modern business and industry.

We hope that the Department of Education will grant moneys directly to schools, not to the States—as in the case of the present K-through-12 Vocational Education Act. We want to see the funds applied to programs that serve students and that attract business and industry. Iowa is still suffering from the recession, and we need all the bootstrap help we can get from the Federal Government.

Next, we ask that you increase funding for title VIII, the Cooperative Education Program. Co-op Ed is now an effective connection between our academic programs and the professions for which we educate students. It bonds principle to performance.

Although Kirkwood does not currently operate a Cooperative Education Program, we have done so in years past, and we hope to establish such a program in Iowa City when our new educational

center comes to fruition in that location. Co-op Ed has been an enhancement to our educationl offerings and, simultaneously, a means of introducing students to the real world.

But without adequate funding, it will be most difficult to provide adequate education and entree onto the job market for the 1.7-million students at public 2- and 4-year colleges.

Let me conclude my remarks by reiterating our concerns: We ask that you reinstate title I and continue and expand financial aid programs, the TRIO Programs, title III, and Cooperative Education.

We hope that you will consider a grandparent clause for title III institutions that were funded for fewer years than the maximum allowed by current law. This kind of clause will extend eligibility for just those years needed to bring colleges up to the current legal maximum.

For instance, Kirkwood was funded for only 4 years of a possible 5. We will "graduate" at the end of that 4th year and not be allowed to reapply for year 5. If you allow us that final legal year, you maintain the concept of "graduation" from the program and, at the same time, you allow colleges to receive the maximum number of years envisioned by the current statute.

I hope that I have demonstrated to you how important the Higher Education Act is to Kirkwood and its fellow American Association of Community and Junior College members.

The act has been a sustaining force to our students and to our staffs. It has created opportunity for students everywhere.

I thank you very much for this opportunity.

[Prepared statement of Dr. Bill Stewart follows:]

PREPARED STATEMENT OF DR. BILL F. STEWART, PRESIDENT, KIRKWOOD COMMUNITY COLLEGE, CEDAR RAPIDS, IA

Mr. Chairman, Congressman Tauke, and Members of the Subcommittee: Let me first say how pleased I am that you have chosen to conduct a field hearing on the Higher Education Act Reauthorization, here in Cedar Rapids. As I'm sure you know, we eastern Iowans derive tremendous benefit from the fine postsecondary educational institutions in our area.

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I hope that I have demonstrated to you how important the Higher Education Act is to Kirkwood and to its fellow American Association of Community and Junior Colleges members. The Act has been a sustaining force to our students and to our staffs. It has created opportunity for students everywhere.

Thank you, Chairman Ford and Congressman Tauke for this opportunity.

Mr. FORD. Thank you.

Dr. Stewart, you mentioned in your testimony that you were bound as an institution to give great concern to people who do not fit the mold and the stereotype of the "typical college student" of years gone by. One of the proposals that surfaced in the budget that sort of surprised us but has been repeated by the Secretary is that we retreat to our original position of many years back when we said that student aid could only go to a student for postsecondary education who was a high school graduate.

And indeed I participated in amending the law for the community colleges to provide that students could either have a GED or certification from the institution that the student had the ability to benefit from the educational program that he or she was enrolling in.

After doing that, we discovered that because we named the community colleges specifically, the Department of Education took the position that that meant that the proprietary schools were left out, so we had to come back and change the law again to tell them that we really meant it.

It seems to work rather well, especially at a time when community colleges have been in the forefront of short-period specific-training programs that are job or career-adjustment oriented, and that's become more and more popular, particularly in areas of the country that have suffered losses during the recession.

How many of your students would you guess are not high school graduates?

Dr. STEWART. We last year graduated ourselves through GED and our high school completion 800 people that did not have it, through our own college, so we know there are very significant numbers of them there. I don't have the exact figures with me, but I would guess that probably of those, 30 percent of the people that are attending that do not have a high school diploma, they may have a GED certificate or have been certified to come in and take courses and prove themselves.

There's no question that they can succeed, and we have a solid track record to prove that, and many of our people have gone on and graduated. Half of the graduating class of Mount Mercy, Dr. Feld's institution, this last year came from Kirkwood Community College.

And many of those started at our college without high school diplomas.

Mr. FORD. But it really is difficult to contemplate that we decide that when young people are in high school, if they drop out it's a tragedy, and we preach and talk about it. I was on a blue-ribbon panel in the fifties, saying that that was the No. 1 problem with our State, and we were thinking of all kinds of things to avoid it.

It seems inconceivable that we would now say that having fallen through the cracks once, there's no hope that you can ever get smart enough to want to better yourself and therefore we're sorry, you had your chance and you missed it. That's literally what that kind of proposal comes down to.

And are you going to the AACJC meetings?

Dr. STEWART. Yes, I'll be out there.

Mr. FORD. Well, I'll see you out there.

Dr. STEWART. All right.

Mr. FORD. I wonder if you would aid me in urging them to get together for us whatever evidence they can gather about the success rate in the three categories of students: high school graduates, the GED-qualified students, and the ability to benefit students.

I think there are a lot of our colleagues in Congress who don't realize that people who didn't go to high school for 4 years can do well in college. I have a personal anxiety over that, since I actually spent only 2 academic years in high school myself, and I have a bachelor's degree, an earned doctor of laws and 12 honorary doctors of laws.

Nobody's ever asked me what happened to the other 2 years of my high school. I think that it would be a real tragedy if we lost sight of it.

We need your kind of institution to educate the public and particularly the Members of Congress about the importance of this.

Mr. Tauke.

Mr. TAUKE. Thank you very much, Mr. Chairman. Dr. Curris, I think I saw you on television this morning talking about teacher training, and you raised the issue again here. First of all, did the task force that you were part of in Iowa issue any kind of a report, or is there some material that we can get with which you might be familiar which projects information—projects the shortage of teachers that we will have in our State or nationwide?

Dr. CURRIS. We completed our work and submitted our report on the 30th of October, and the report was published by the Department of Public Instruction, and we received it yesterday.

Mr. TAUKE. Perhaps you could send me a copy.

Dr. CURRIS. I'll be glad to do that.

Mr. TAUKE. The chairman has just informed me we also have a Carnegie Foundation study on the same issue, and says that it's about 1990. Is that what your report also demonstrates?

Dr. CURRIS. Yes, there's a lot of speculation, and you know, you can pick anything you want and rely on it, but the overwhelming evidence is that around 1990, the problems are going to be extremely severe, and they don't lend themselves to ready solutions.

In other words, what we're seeing today is that women are pursuing careers based on the same premises that men have pursued careers, namely the American way of going essentially to where the largest dollars are available and job opportunities are.

And that basically means that all low-salaried disciplines will experience problems. The fact that women are following the same career motivations as men as a general rule means that we will not have the ready pool of talent to fall back on.

And I know that the Congress has been involved with several programs, including a program to—named in honor of the former chairman of the committee, Carl Perkins, but we have—we need in this country a renaissance of the kind of NSF institutes that existed in the fifties, of incentives to encourage people to go into teaching.

I think we've got to look at student financial aid and the loan programs again, and revitalize the teacher cancellation provisions that occurred in the fifties and sixties, and hopefully some more innovative ideas. My suggestions were based on in difficult times you have to have priorities.

Mr. TAUKE. If part of the solution is higher salaries, which we aren't probably going to address at the Federal level, what can we do in title V through reconstruction, as you say, of those programs to provide greater incentive for students to pursue a teaching career?

Dr. CURRIS. I would think that using the student financial assistance programs as a lever probably makes sense again. You know, I think the way we addressed that problem in the fifties and sixties was, we targeted in essentially on math and science, but expanded it to some degree, and your colleague there knows far more about this than I do.

But basically, we put some financial incentives for people to go into teaching, with the hope and expectation that the states would do their part and that individuals would make a commitment, and it worked.

Mr. TAUKE. Is there any indication that there are certain disciplines that are in trouble, in more trouble than others?

Dr. CURRIS. Math and science are in critical shape right now.

Mr. TAUKE. Still critical.

Dr. CURRIS. In fact, there are some States—I can't recall the States—where 40 to 50 percent of the people teaching mathematics in secondary schools today do not have basic qualifications to teach it. That's a sad testimony.

Mr. TAUKE. Your institution has had a long track record of training teachers. What is happening to the population in your own institution of those students who are pursuing teaching as a career?

Dr. CURRIS. Their decline is now starting to increase, but slightly, but importantly, 45 percent of the students in our School of Business are women. One out of three law school graduates last year was a woman. The pool is smaller, and while those students that have an interest in, say, math and science, the disparity between what salaries are offered by public schools and what industry is offering is so significant that it takes a person of great dedication and commitment to choose a salaried position $10,000 less than what they could get from industry.

And to the degree that we create a debtor class of individuals leaving college with high debts, even if they wanted to choose a lower-paying teaching position economic necessity mandates that they go where the dollars are. This is the crisis that we see.

Mr. TAUKE. I was gratified by your comments relating to a freeze, since I have been pushing for a freeze on the budget at the Federal level across the board, including things like defense and Social Security, but in addition to advocating a freeze, you also talked about this business of excessive reliance on loans.

I understand that problem. We have run into a number of instances in our own office where students graduate and have huge loans that they have to pay back, and they have some real problems. What I'm wondering now is, if we shift from loans to something else, it's probably going to cost more moneys.

So how do you suggest that we deal with the problem?

Dr. CURRIS. I think there are other aspects than funding, even in education, that have a lower priority.

Mr. TAUKE. Would you care to list one or two?

Dr. CURRIS. Yes, I will. I think library funding. Everyone likes to receive it. To be very honest with you, it has, to my judgment, no significant impact. I would disagree to some degree with Dr. Stewart over title III. I was president of an institution, Bill, that received a title III grant.

I believe we were the first institution in America that graduated from it, because the law said you were supposed to graduate. But what happened in it was that people came at the end of 5 years and they wanted to stay on, and so they let them stay on.

And we created an opiate-like addiction, so that there was a funneling and continuous funneling of funds to support ongoing programs. The value of the program is when people go into it, use it for 3, 4, or 5 years, and we had a 5-year grant, I might add, and you do some things that can enrich your institution and improve its efficiency, and then you graduate from it.

Those programs across the bureaucracy that basically are continuous support of institutions, are the weakest programs.

Mr. TAUKE. Now, the chairman has taken considerable heat for arranging for graduation from that program for a lot of institutions. We did hear, of course, quite clearly what Dr. Stewart was saying about an additional year for Kirkwood.

His attitude might change a litle bit in 3, 4 years, too, you know. Dr. Stewart, you had indicated, as had Dr. Curris, great support for

the TRIO program, and let me emphasize that your comments on title III have been noted on the TRIO program.

There's been considerable concern that the investment in the TRIO program has not had significant payback. Do you have any information which shows that it really is paying off, the success of the program is quantifiable?

Dr. STEWART. Yes. Of the 200 that we have in our particular program, our success ratios with those students are far, far greater than it would be if they just simply were allowed to enroll in our institution without the special help that they're getting.

We have a very solid program. We——

Mr. TAUKE. Excuse me, may I interrupt? Do you have any idea what the percentage of success would be? Maybe we should have asked first how we define success, and then tell me what your percentage is.

Dr. STEWART. Well, they enroll under a variety of programs, but I'd be glad to give you a statistical breakdown and send it to you, for the rest of them.

Mr. TAUKE. That would be great.

Dr. STEWART. I would be pleased to do that, so that you have the accurate figures. But we have had a tremendous amount of success in getting them in and then getting them mainstreamed into our regular programs and out and moving so that we can get more students into our help program.

So it has been just a tremendous program. We are not in the other two sections of TRIO, but the one section we have been in has served us just exceptionally well.

Mr. TAUKE. Going back to title III a minute—you said you'd been awarded a $3.5 million grant but had received something short of $1.1 million now, the maximum you could get in your last year was $650,000. So you would be getting, if my figures are correct, roughly half of what you were originally awarded if you got the maximum in the fourth year.

Now explain to us how that happens.

Dr. STEWART. Anyone that deals with the Department of Education understands how that happens. The Department of Education doesn't, you know—you're dealing with a tremendous bureaucracy, and by the way, that title III staff, as you know, Doctor, changes monthly almost.

And, you know, who was there last time isn't there this time, and the rules and regulations—in spite of those shortcomings, let me say that has been absolutely the best program as far as the development of our college we've ever had. I think, indeed, there have been some abuses, but I hate for you to write title III off.

Yes, and we should graduate from the program. We are asking for a fifth year. Whether we get it or not, we're not sure, but I'm going to tell you, we are graduating. It has served us well. We can document out exactly what we have done.

There are many, many other colleges it has served well, but I do think they should graduate. Yes, there are some people who have been on title III for many, many, many years, but it's always a mystery to us how they continue to receive this funding.

You know, but that's the far end. They really don't need rationale. Just keep sending the paper in.

Mr. TAUKE. Maybe you ought to check with General Dynamics and have a little better system. [Laughter.]

The last question relates to what was said in the first panel. The representatives on the first panel suggested that if student aid was cut substantially, that a number of students currently attending private institutions would shift to State universities and community colleges.

There has also been some suggestion that if student aid should be cut substantially, that there would be a shift from State universities, the regents' institutions in Iowa, to the community colleges, and some students would probably just not attend.

Do you have any kind of study in your own institutions that would suggest that this is true or not true, that in fact you would have an influx or a decline of students as a result of changes in the student aid formula?

Dr. STEWART. Which one of us would you prefer?

Mr. TAUKE. Well, all of you. I'd like a response from all of you. Let's take you, sir.

Dr. STEWART. In our own case we're noticing the same enrollment patterns as the privates are this year, so I don't know that it's because of the publicity that's out on financial aid, but we've also had the same kind of enrollment pattern with a tailing off in the number of new applicants coming in this particular year, and talking to other community colleges around the State we're noticing the same thing.

In other words, since the announcement by Secretary Bennett there has been no dramatic upsurge in enrollment applications to our institutions, because people don't think they're going to get financial aid. That has not occurred to date.

We had absolutely no evidence that it would make that much difference, people dropping back.

Well, do you think that you would gain some coming from other institutions and lose some who would be on the bottom of the financial rung in your own institutions? Do you see any evidence of that?

Dr. STEWART. There's no question that financial aid is back considerably. We are going to lose some. Now, however, you have got to remember, even under new guidelines a very, very large majority of our students would still qualify. The $4,000 cap would not affect us anywhere like it would graduate students or like it would in private colleges, and we're not in favor of the cap, by the way.

I want that stated very clearly. We're not in favor of the cap at all. I don't think it's fair, so—and I think the Nation needs a pluralistic educational system. I think that's a strength that we have. I'm not sure you're going to displace that many students, and we have no empirical evidence to date that all of the talk about financial aid is starting any kind of movement in that direction.

Mr. TAUKE. Dr. Moore, Dr. Curris, do you have any information?

Dr. MOORE. Well, I can offer some. It's a little different than—from what the private schools are experiencing, in that in January—up through January of this year the University of Iowa was running about 5 to 8 percent below last year's application numbers and admitted student numbers.

Starting in February, running through March, and as of last week we're 7 percent ahead of where we were last year. Now, people who deal with admissions for institutions know that a lot of times there's no explanation for these kind of numbers that happen.

For the past 8 years until last year, we've experienced a steady increase in applications—admits and enrollees—and last year they were on the down side. But we lasted 2 years longer than the predictions of fewer bodies out there.

But whether this increase that we've experienced the last few months is a result of the publicity we don't know.

Mr. TAUKE. Do you think you would pick up students from private institutions if the financial aid programs were cut substantially?

Dr. MOORE. I have no doubt of that, yes. There's no doubt that they would flock to the State institutions, the community colleges and/or the lower cost private schools. One of the additional problems, and I suppose my president or vice-president for finance might not like me to say this, but I don't know how many more students we could handle.

Mr. TAUKE. I was just going to ask you that. Do you want more students?

Dr. MOORE. We have capped enrollment in business administration because we don't have the space or the faculty. We have capped enrollment in engineering, all the engineering courses. We have capped enrollment in our math and science, or math and computer science, programs because, to echo what Dr. Curris said, we can't keep people in school in graduate programs to make college teachers out of them because they go out with B.A.'s for $10,000 more than their professor was making in teaching them toward the B.A.

And we can't hire quality faculty in business, engineering, math, and computer science. So whether we could absorb more students I think would be very questionable.

Dr. CURRIS. Our conclusions are the same. Our projections are based upon sample analyses, but we have no studies of the kind that you would like to see.

Mr. FORD. Thank you very much, gentlemen.

Mr. TAUKE. Thank you, Mr. Chairman.

Mr. FORD. Dr. Curris and Dr. Moore, I'm looking at this year's figure, tuition and fees, and in the case of Dr. Curris it's only $1,184 at your institution, and only $1,242 at Dr. Moore's institution. When you get total student costs, Dr. Moore's institution goes up—the University of Iowa, $4,858, and the University of Northern Iowa, $4,534.

That's less than half of the average cost of your private schools in the State. And I think Dr. Moore has probably already answered this question, but given this influx of students that you might expect because of that cost differential, and assuming that the State doesn't have a ready supply of money to give you money to expand your institution, how would you do it?

You've mentioned that you've already started capping schools like business adminstration and others. Would you have to devise a new rationing system for your entering freshmen?

Dr. MOORE. Well, I'm sure that we will—if we experienced a fairly large increase.

Mr. FORD. What kind of a rationing system do you think that your State institutions would be likely to adopt? Not specifically, but would it be academic, economic, how would you go about reducing the number of people who would qualify to be entering freshmen next year?

Dr. MOORE. Well, a related incident on our campus is that because we—the faculty in our liberal arts college, for example, feel that we have more than enough students now for the resources that we have, they are talking about increasing our admissions standards to eliminate some of the lower academically prepared students in order to control the number of students that we have and to keep it in harmony with the resources.

And we don't expect to get any more resources from the State. In fact, we'll get less, probably, this time.

Mr. FORD. Well, then, you're sort of a perpetual motion machine here, because when you put the barriers up higher to get into your school, Dr. Stewart is going to get that increase in application that he didn't have before, and then someplace down the line there's somebody that has to get pushed out.

And who is it likely to be? What kind of person?

Dr. STEWART. Unfortunately, it's liable to be the very lowest income people that need help the most. That's unfortunate.

Mr. FORD. Put it another way, that it's likely to be those people who have the least possibility of succeeding and becoming taxpaying, productive citizens without the benefit of this education?

Dr. STEWART. I think you're correct, Congressman.

Mr. FORD. Dr. Curris, I was listening with great interest to your description of the graduation feature, because I have been branded by some people just short of being a racist for being responsible for that compromise. It was a compromise, because going into 1980 we had great pressure from the community colleges over the fact that indeed the community college movement has been the most rapidly developing phenomena in the country.

And they didn't feel they were getting their fair share of the money, so they wanted a set-aside. The historically segregated colleges, which are also referred to euphemistically as the historically black colleges, have been in the program ever since the beginning.

And the community colleges wanted to say to them they've had theirs, now give it to us. They said that these community colleges weren't in existence when you started this program, and they don't need it. So the compromise was the graduation feature.

As a result of that, I've been publicly accused of being against those schools. I wish I'd had them in my own district where I've had two elections in a row with avowed Klansmen running against me because I'm too strong for civil rights. [Laughter.]

But that accusation is made amongst educators, not in my district where it would do me some good. The problem with this thing is apparent to us, and the problem Dr. Stewart has mentioned clearly indicates to us that when you see something that doesn't make sense there ought to be a remedy.

And I'm sure Mr. Tauke's going to figure out an amendment that will take care of it. [Laughter.]

And I can tell you now that when he gets it figured out I'll support it, and if necessary I'll put it in so I'm the bad guy and he's the good guy. I've got my time in for retirement anyhow.

Mr. TAUKE. Thank you, Mr. Chairman.

Mr. FORD. Dr. Curris, you mentioned the shift in the career choices of women. I've heard it put more strongly by the dean of the school of education at Southwest Texas University, who says that throughout the history of this country we have supported the professions of education and nursing on the backs of a permanently underpaid inferior class, namely, our women, and that that has come to an end, and that people in our society have yet to grasp the significance of what that means to us.

Now, I was there when we had teacher shortages to respond to, and as we frequently do we overrespond, and we say "Get a loan. Go to school. Become a teacher, and then we'll forgive 20 percent of the loan for each of the first 5 years that you teach, and you don't have to pay the loan back."

It worked. It did what we wanted it to do. Then we had all of a sudden more teachers than we wanted. Now, I don't have any doubt that if we did that again as you just suggested, that we would get in numbers a lot of teachers, but putting it with what you also said, I don't know whether those are the people that we really want to recruit into teaching.

The Carnegie Foundation—Ernie Boyer sent me a 10-year study, male-female breakdown of graduate degrees through the year before last. If you look at the graph, it's really dramatic. Law, medicine, dentistry, architecture, and engineering, the number of graduates that are female has gone up dramatically.

And then you look at the next profession, education—exactly the opposite happened. I look at that and say "Now 50 percent of the population of this country is making career decisions the same way the other 50 percent made them."

And while we used to be able to cream that 50 percent for nursing and teaching, we're now competing with—the teachers' colleges are competing with the medical schools, the dentists' schools, the engineering schools, the law schools.

So I'm a little bit wary about what we would get if we just went out and started saying "Here's a cheap way to go to school." How would you react to the idea of some sort of an incentive program of that kind that had superimposed on it that to qualify for loan forgiveness, you would have to have a certain level of entrance examination scores let's say it's 18 or whatever combination you want to work out, and maintain your grades while you were in school at a certain level, and certainly not graduate below the mid-level of your class?

What would you think about the possibilities of success in sort of sucking in, if you will, a few of the good students who might by economic necessity take that route. Is it possible for us to construct a set of criteria that makes sense, is fair, and would indeed produce that kind of result for us?

Dr. CURRIS. I think you can, and I would have no real opposition to some of those constraints. And one of the reasons is that, if I can toot my horn, the State of Iowa, this State leads the Nation in the ACT and SAT test scores of our students.

And it's had a rich tradition of attracting people as teachers, so our teachers will do very well and meet all those criteria, and that would be very beneficial. I don't know whether other parts of the Nation would be as enthusiastic about the proposal as I would be.

Mr. FORD. Well, you see, we can get teachers in Michigan because we are the highest-paid teacher State of the Lower 48, as they're referred to, but no teacher, no young woman who's leading her class is going to look at teaching in a majority of the States. I don't think that's going to be a satisfying career.

And young women no longer in large numbers think of teaching as something nice to do until you meet a nice fellow and get married. Women think about careers very much like men have traditionally thought about them, and it's very unnerving for us.

It bothers me when I visit my law school and see that a full third of the graduating class is female, because I didn't think they were smart enough to get through when I was in law school. [Laughter.]

Mr. TAUKE. You're going to get yourself into trouble now. [Laughter.]

Mr. FORD. There were three out of some 200 when I started school, and they were considered kind of unusual. [Laughter.]

Mr. FORD. That's a long time ago, and we've changed very dramatically, and it's very hard for us to adjust to it. But we have to have something to offset the overall national average of $18,500 teachers' salaries, which looms up when they see this and say "Oh, who wants to spend 4 years at school and all the effort and borrow $10,000 and go out for that kind of money? I can go down to the trucking company and get a secretary's job and do that well. I don't have to go through all the grief."

I think you're right, that we have to try to use whatever opportunity we have to assist educational institutions to do things a little different than we've been doing them.

I don't see that because we've been doing things one way, whether they've worked or not, that they become sacred, even though I have sort of a parental sense of protecting these programs. I do understand that from time to time they're not as relevant as they seemed to me at one time, and they don't work as well with each other as they did.

I hope you will give this thought, Dr. Curris, and encourage some of the other teachers and institutions to cooperate with you in suggesting to the committee an approach we might take that would let us use an incentive to meet that 1990 need.

And it's a serious need. In my State, which has reduced the number of teachers by about 12,500 in about the last 6 or 7 years, the number of classroom teachers, we will have a tremendous shortage in 1990 because all the young teachers are gone, and all we have now are teachers reaching the end of their years for retirement, and we're going to lose them in very large numbers.

And we don't have coming through behind them a supply of young teachers that we had in the fifties and sixties who are coming up and will be there in their place. I don't know how you get people alarmed to this, but it's very hard, when in the Midwest and the Northeast we have dropping enrollments, to convince people that notwithstanding that very apparent factor, that the realities of what the numbers tell us say that in a short time—1990

is not very far—in just a short time down the road we're in real trouble.

So we need some help from you in the ways that you might suggest that we can use the limited resources we have to attack that kind of problem. I appreciate having you bring that into these hearings, because I don't think we really spend, as Tom says, enough time getting down to the bottom line.

And we spend so much time killing crocodiles that we've forgotten we came into the swamp to drain it. [Laughter.]

Mr. FORD. And I think that it's important for you to get us back to basics, what it is we're trying to do, and I appreciate that very much.

Tom, with your leave I think we'll take a 10-minute break for the reporter and for the rest of us, and we'll start right up promptly in 10 minutes.

[Recess.]

Mr. FORD. We will reconvene.

Let me repeat and maybe make a little clearer what I said at the outset. I talked to a couple of people out there. Mr. Tauke has asked to keep the record open for this hearing so that the material that's submitted will be printed in the record as if it was presented, and if there are people here who have been in any way provoked or interested by anything you've heard from the panel or from Mr. Tauke or myself, by all means submit your reactions to that to us and we'll be very happy to include them.

And while we are limited in the number of people we can accommodate on the panels within the time that we have available, we don't want to pass up any gem of thought that anyone else has. So by all means feel free, all of you, to participate in that manner.

And now we have this panel with Jim Thein—is that correct, Jim?

Mr. THEIN. Yes.

Mr. FORD. President of the student senate at Coe College. Mrs. Kathryn Young, guidance counselor at Linn-Mar Senior High School, and Robert Austin, president of the student body at Cornell College, and all three of them have prepared testimony for us, and that will be inserted in the record beginning with each of their presentations.

You can proceed to summarize it or highlight it or comment on it in any way you find most convenient.

STATEMENT OF JIM THEIN, PRESIDENT OF THE STUDENT SENATE, COE COLLEGE, CEDAR RAPIDS, IA

Mr. THEIN. I'd like to thank you for this opportunity to speak on behalf of the students of Coe College. I'd like to speak to you this morning on a little more informal basis about some of the feedback I received from the students here.

I'd like to start with my experiences and why I decided to attend a private college as opposed to a public institution. Coe College initially attracted my attention with its high academic standards and its small community atmosphere.

I wanted to attend an institution where I could receive personalized help from professors who were truly concerned about my aca-

demic and personal progress. Coe's small campus and low teacher-student classroom ratio offered me this opportunity and much more.

From my first day of classes as a freshman the professors have worked with me on an individual basis, giving me extra help with academics and guidance in other areas outside of the classroom environment. By encouraging you to work hard at all times, they have helped me to achieve academic standards higher than I believed to be possible.

The professors have also been an instrumental force in motivating me to become involved in student government and other campus activities. The skills, knowledge and leadership experience I gained as a result of these extracurricular activities have been invaluable to me in achieving my future goals.

Without the personalized benefits that a small private college offers, I don't believe I could have developed myself as extensively or as rapidly as I have. Fortunately, the opportunity to choose a small private college was available to me, but for a time I didn't believe it would be possible.

During my senior year of high school I applied to several colleges, including two out-of-State universities. Upon first consideration, it only seemed feasible to attend the cheaper State universities. Not until I received financial aid packages did I realize what a large role Federal aid monies play in aid packages.

With Federal and State aid, it was possible for me to choose Coe College at a cost only slightly higher than a State university would have cost. During my first 3 years here at Coe, on average over 90 percent of my financial need has been met by Federal, State and co-aid programs.

By the time I graduate, I will have received in excess of $10,000 of Federal aid alone. This includes Pell grants, national direct student loans and work-study loans. As you can see, Federal financial aid has played a large part in my ability to be able to attend Coe.

Without it I would not presently be here speaking to you as the student body president. Recently I've been discussing the suggested changes in the financial aid allocations with our students, and during our last meeting the subject was addressed during open forum.

The overwhelming response I received from the students was that they have a great concern that the suggested cuts will have serious negative repercussions on a large percentage of the students. Individual students expressed their concern in various areas relating to the effects of the proposed financial aid cuts.

Some expressed doubts about their ability to continue on with their education. I personally have a friend named Michael Clark, who, because of financial aid reasons, was forced to leave Coe College last year. He is now working at Smulekoff's delivering furniture, and hopes of saving up enough to be able to resubmit his application for Coe some day.

Just an example of someone who's already suffering from financial aid—without these cuts that have been suggested taking place. Some other students have expressed doubts about their ability to continue on with their education here at Coe and feel they may have to transfer if the suggested cuts were made.

I also have friends who have already been forced to transfer to the University of Iowa and other State universities because they cannot meet financial aid needs here at Coe College. Other students feel that they may be able to stay at Coe College, but that they would have to come up with other sources of money to make up for the Federal aid cuts.

Some students believe that it would be possible for them to stay at Coe, but that they would need to find part-time jobs, and if jobs were not available or possible, the students feel that they would have to turn to already financially strapped parents in order to make up for the financial aid cuts.

Students who will have graduated by the time the proposed changes will occur are quite concerned also. The general consensus among them is that they have a hard enough time financing their college education, and they couldn't imagine how future students could cope with this extra burden of making up for money lost to Federal aid cuts, especially in light of the fact that college tuition is increasing rapidly.

Their concern is an important point to consider. Current students are having a hard enough time paying their way through college now. Several friends of mine, myself included, have more than one part-time job as well as campus positions to meet the cost.

I personally work approximately 70 hours a month through a work-grant job. I'm employed by the Iowa National Guard, and I work for my father at his business as much as possible. This is all in order to meet the costs of college that the present financial aid doesn't cover.

The moneys earned from these jobs go not only for tuition, room and board expenses, but for books and other expenses not considered in financial aid packages. The effects of increasing this already heavy work burden can only lead to diminished amounts of time spent on studies and extracurricular activities like student government or volunteer groups which greatly contribute to a college atmosphere, and also greatly contribute to the personal development of the students.

This extra time commitment would, I feel, tend to put more stress and pressure on students, and tend to affect their grades, mental attitude, and possibly even their health. I believe Federal financial aid as now allocated goes toward a just and worthwhile purpose.

I know of no one who abuses the financial aid by spending money for new stereos, cars, trips or any other luxury items. Today the Coe College students are concerned about receiving financial aid to meet one end only, and that is to meet the tremendous costs of attending college. that is to meet the tremendous costs of attending college.

[Prepared statement of Jim Thein follows:]

PREPARED STATEMENT OF JIM THEIN, STUDENT BODY PRESIDENT, COE COLLEGE, CEDAR RAPIDS, IA

Coe College initially attracted my attention with its high academic standards and its small community atmosphere. I wanted to attend an institution where I could receive personalized help from professors who were truly concerned about my academic and personal progress. Coe's small campus and low teacher/student classroom ration offered me this opportunity and much more.

From my first day of classes as a freshman, the professors have worked with me on an individual basis giving me extra help with academics and guidance in other areas outside the classroom environment. By encouraging me to work hard at all times they have helped me to achieve academic standards higher than I believed to be possible. The professors have also been an instrumental force in motivating me to become involved in Student Government and other campus organizations. The skills, knowledge and leadership experience I have gained as a result of these extra-curricular activities have been invaluable to me in achieving my future goals. Without the personalized benefits that the small private college offers I don't believe I could have developed myself as extensively or as rapidly as I have.

Fortunately the opportunity to choose a small private college was available to me, but for a time I didn't believe it would be possible. During my senior year of high school I applied to several colleges, including two of Iowa's state universities. Upon first consideration, it only seemed feasible to attend the cheaper state universities. Not until I received financial aid packages, did I realize what a large role Federal aid monies play in aid packages. With Federal and State aid it was possible for me to choose Coe College at a cost only slightly higher than a state university would have cost.

During my first three years here at Coe, on average, over 90 percent of my financial need has been met by Federal, State and Coe aid programs. By the time I graduate, I will have received in excess of $10,000 of Federal aid alone; this includes Pell Grants, NDSL, and Work Study monies.

As you can see Federal financial aid has played a large part in my ability to be able to attend Coe. Without it, I would not presently be here speaking to you as the Student Body President.

Recently I have been discussing the suggested changes in the financial aid allocations with our students and during our last Student Senate meeting the subject was addressed during Open Forum. The overwhelming response I have received from the Senate was that they have a grave concern that the suggested cuts will have serious negative reprecuassions on a large percentage of students.

Individual students expressed their concerns in various areas relating to the effects of the proposed financial aid cuts. Some express doubts about their ability to continue on with their education. Others feel that they would be forced to transfer from Coe if the suggested cuts were made. They concluded that transferring would cause them to lose academic credits and would delay their graduating on time, which would cost them even more money. Some students believe that it would be possible for them to stay at Coe but that they would need to find part time jobs to help meet the cost. If jobs were not available or possible, students feel that they would have to turn to their already financially-strapped parents. Students who will have graduated by the time the proposed changes would occur are quite concerned. The general consensus is that they have had a hard enough time financing their college education and they couldn't imagine how future students would cope with the extra burden of making up for monies lost to Federal aid cuts, especially in light of the fact that college tuition is increasing rapidly. Their concern is an important point to consider. Current students are having a hard enough time paying their way through college.

Several friends of mine, and myself, have more than one part time job, as well as campus work grant positions, to meet costs. The monies earned from these jobs go not only for tuition, room and board expenses, but for books and other expenses not considered in financial aid packages. The effects of increasing this already heavy work burden can only lead to diminished amounts of time spend on studies and extracurricular activities, like student government or volunteer groups which greatly contribute to a college's atmosphere. These extra time commitments would, I feel, tend to put more stress and pressure on students and tend to affect their grades, mental attitude, and possible even their health.

I believe Federal Financial Aid, as now allocated, goes towards a just and worthwhile purpose. I know of no one who abuses the financial aid by spending money for new stereos, cars, trips, or any other luxury item. Today's Coe College students are concerned about receiving financial aid to meet one end only, and that is to meet the tremendous costs of attending college.

Mr. FORD. Thank you. Mrs. Young.

STATEMENT OF KATHRYN YOUNG, GUIDANCE COUNSELOR, LINN-MAR SENIOR HIGH SCHOOL, MARION, IA

Ms. YOUNG. In looking at this issue, it seems to me that the issue really is: "How do we get the money where it is going to do the most good?"

And then the philosophical differences come upon, "Where is the most good?"

Is it an opportunity for everyone to get an education?

Is it a placement of funds where the return is going to be the greatest?

In that case, you would probably give it to the more able students, or are you going to look at how does America need to contribute to the world and place the funds in the area that will occur, be most likely to occur.

I guess from the standpoint that I am going to address it, I would say that the goal of financial aid should be to give an opportunity for a college education to those who show academic promise and then to provide funds for vocational training for those who show promise in these areas.

I feel there is definitely a need in both areas, that college is not for everyone, and that we do need to continue to provide vocational funding for the community colleges, such as Kirkwood, to provide vocational training.

The perspective I am coming from is simply that I am a high school counselor. I have been at Linn-Mar High School for almost—I think this is our seventeenth year. Our high school is a middle class high school, almost totally white, so I am not going to speak to any racial kinds of things because I am not familiar with that.

The students in our school, about 50 percent go to college, directly to a 4-year college; another 10 to 15 percent will go to Kirkwood in the community college transfer program; and then, another 10 to 15 percent will probably go on to vocational types of training.

I really believe that it is important for a person to feel of worth, and that the ability that I have a skill allows a person to feel that they are of worth, and I think that one of the psychological goals of life is to contribute in a meaningful way to the society, as well as to fall in love and all those other kinds of good things.

Also, I am a parent. I have had three sons. Two of them graduated from small private schools here in Iowa, the third one is a senior at one of the State universities. I am one of the fortunate few—we have been able, probably because I am working at a job that I enjoy, to give our sons an education without the benefit of using Federal funds.

And I guess I would like to say in the beginning that I really think that the private schools do provide a good place. I am pleased with the education that my sons got.

I am going to address about five or six different points.

The first one is probably the one that I will spend the most time on, and that is perhaps our present system of awarding financial aid seems to encourage some to be in college who should not be there.

And I will go ahead and address that one next, and then come back.

I would recommend that grant moneys which do not need to be repaid—in other words, the Pell Grant, SEOG—should be awarded to the most needy who have demonstrated in high school that they are potentially capable of college level work.

There are Federal guidelines that, once the students are in college, make certain that they are progressing at a normal degree toward graduation or they will not be awarded the funds.

But there seems to be nothing other than the fact that the college is willing to admit the student that deals with, is the student capable?

And, as counselors, we see not a large percentage, but a percentage every year of marginal students who are admitted to private schools who we do not feel have very much potential for success; and, to me, this is a misuse of the Federal funding, in that it is going to students who probably will not survive the year.

And in that case, then, I question perhaps the private college's admission of that particular student. I know this is a totally different place than anyone else has come from, but I feel that some kind of academic responsibility should be proven before funds are awarded, public funds are awarded to students who go on.

I think if a private school wishes to accept marginal students that is fine, as long as Federal funds do not go into it.

I think also that probably some of these marginal students will do better at a private school than they would at a State university. I have some feeling that perhaps Kirkwood serves a good place for these students to get a little bit lower cost, more gradual introduction into higher education, and that that is a good alternative.

I guess I really do feel that public funds should not be gambled but should be given to those who have demonstrated a potential to succeed, and then I will go ahead and recommend what I think that potential should be.

I think the best single indicator, and one that is pretty generally available would be rank in class.

Generally, rank in class is figured by students' grade point average, and studies have shown that the grade point average in high school is the best single predictor of success in college.

A combination of test scores and rank in class is a better predictor, but the best single predictor is the rank in class, because that takes into account not only the student's given intellectual capacity, but it takes into account, does he do the homework? Does he have good study habits? And those other kinds of things that do contribute to success.

So, I would suggest that for simplicity, the Federal Government restrict its grant funds to those who have graduated in the upper half of the class, or have an ACT or SAT score at the 75th percentile nationally.

That is a relatively high score, but what I am trying to do there is take care of the student that for some reason or other has not graduated in the upper half of the class, but is quite able.

I think even a culturally deprived area in which students in general test lower and achieve lower, half of the students still are

going to be in the upper half of the class, and will still have opportunity—those kinds of opportunity for education.

Perhaps the student it does discriminate against is the mediocre student in an excellent competitive school where scores in general are high. This might even be representative of the school that I come from.

Several counselors that I have talked to have given this criticism: we have managed to write Federal programs to support students in college who should not be there.

And, therefore, I would suggest that we tie a measure of ability—not super ability, not the 90th percentile, just the upper half of the class—to the giving of Federal funds.

I think that perhaps some other funds—and Federal funds—should be given for those students toward 1- to 2-year vocational programs, or perhaps college-level programs at community colleges, which, in general, seem to be a lot less expensive.

I do want to comment briefly on the Iowa tuition grant, which, as I understand, comes partially from Federal funds which are given to the State to use at their discretion; and I do think this is an excellent use of funds because it allows students who would like to go to private schools—it gives them some funding to do that.

And it does again give the choice of schools, and usually it will—very often put their choices in line with the law not equal to the State universities.

Many of the students in the school that I come from go to the State universities, and the reason is because of the cost.

Our families are middle-income; many of them cannot—feel that they cannot afford the private schools of $8–10,000 tuitions, and they do make good incomes, and are employed in areas so that they do not qualify for Federal funding.

So, most of my students do choose the State universities not because we as counselors push it but because that is where financially they feel they are able to go.

The second thing I would like to just address again is the Guaranteed Student Loan Program, and I would like to again request that the cap on that not be a straight across the board, but that there be—I think a cap is necessary, but I think people should be able to show need in order to get the Guaranteed Student Loan Program.

I feel—and most of the counselors that I talked to felt—that the Guaranteed Student Loan Program is an excellent way to let people buy into the cost of their own education, that it is sort of a "We will help you, but then, you help somebody else" kind of thing.

But I do feel also very strongly that those need to be repaid and that some kind of pretty strict enforcement needs to be made so that the funds will then be available for someone else to use.

The next comment is more a comment, perhaps, than anything else.

The present system seems to—many of the people that I talk to seem to feel that the present analysis system seems to reward those who have not saved and planned for their children's education.

I do not know—I do not have any suggestion to get away from this, but I hear a lot of people who are very upset because John and Jim are brothers, and John and his wife have saved and paid for their house and have put aside funds for their children's education, and Jim has not done this, has bought a boat, has taken vacations and when it comes time to go to college, John cannot get any aid for his children because he has assets and Jim is able to get aid.

Those comments we hear over and over again. As I said, I do not know how you deal with that. I wish the attitude in America were a little more prevalent: I care about my children, and I want to provide them with a good education, and I am willing to sacrifice and change my lifestyle for the period of years that I have to do to do that.

The next thing that I would like to address is some of the problems of the private schools. And, again, because of the way the Financial Aid Program affects the middle income on our private schools, it seems to us are becoming bimodal with just the population that I serve, the kids with the most need are able to go, or the kids with the most money, and the ones in the middle simply cannot attend a private school.

And, yet, I do feel that the private school offers a lot of opportunity to students. My son—the son of mine that I feel had the best education did have the availability of a private school, from the breadth of education to the career entry opportunities he got. It was excellent.

But I see that with the costs the way they are, that the private schools are in danger.

The next thing I would like to address is a pretty minor kind of thing, but yet for us it is an everyday occurrence, and that is the Federal forms; and the difficulty of dealing with the forms.

And just some suggestions—one, is to make the form as simple as possible. I am sure whoever made it up feels that it is as simple as possible, but it is very difficult to understand.

And it seems to change from year to year, and I do not think that the Higher Education Act is rewritten every year, and I am not sure why the form has to change every single year.

It would be helpful to me to make revisions only every few years.

Also, again, perhaps a minor thing, but we get a lot of calls, on what does this mean? What do I do with the SAR? And this kind of thing.

And the booklet which explains I got Monday, and I have been getting calls for 3 weeks, so the timing is just a little bit off. Maybe nothing can be done about that.

Also, when the form is returned to the student, it seems very unclear as to what to do with it, and I know that in the little print someplace it tells you what to do with it; but that needs to be in big print, or it needs to be highlighted in color, just some of those simplification kind of things.

But those are the things that parents do deal with.

The analysis forms seem to have gotten to the place where they are relatively easy for parents to fill out, and with the exception of the fact that they do not feel they are fair, which is probably a point of view of many. The analysis forms are good, but the forms

that we get back from the Government, especially for the Pell grant, are a little bit confusing.

I would like to react just a little bit to several of the other people. I do feel that the students that I counsel would like to go into teaching, but they feel that there are no opportunities; and one of the things that I would encourage Dr. Curris to do is to begin to spread the word that maybe there will be some opportunities in education.

The students that I counsel are much more concerned about "Will I get a job?" than they were 10 years ago. Ten or 15 years ago, they wanted to give to society and be of benefit to others, and now they are really concerned about "Will I get a job?" and "What can I do that will get me a job?"

I want to thank you for the opportunity to present testimony. I do hope that you will refund—keep at least the same amount of money going to the Higher Education Act, but I would like to encourage you to put it where it will do the most good.

Thank you.

[Prepared statement of Kathryn Young follows:]

PREPARED STATEMENT OF KATHRYN YOUNG, GUIDANCE COUNSELOR, LINN-MAR SENIOR HIGH SCHOOL, MARION, IA

ISSUE

The financial aid issue seems to be, "How do we get the money where it will do the most good?".

What is the "most good"?

1. Opportunity for all to be educated?
2. Placement of funds where return will be greatest?
3. Significant contribution to the role of America in the world?

I would propose that the goal of financial aid is to give an opportunity for a college education to those who show academic promise to make a contribution to society, and to provide funds for vocational training to those who show promise in those areas.

PERSPECTIVE

I am a counselor with seventeen years experience in a high school in a suburban white middle class community. About 50 percent of our students go on to a four-year college, an additional 15 percent to a community college transfer program and, another 10–15 percent to vocational training programs. I am not speaking to minorities because I do not deal with them. My comments do reflect conversations with other experienced counselors in small-town and city schools.

THE PRESENT SITUATION—POINTS TO BE ADDRESSED

1. Our present system of awarding financial aid seems to encourage some to be in college who perhaps shouldn't be there.
2. The cap on the Guaranteed Student Loan program prevents students from buying into their own education.
3. The present analysis system seems to reward those who have not saved and planned for their children's education.
4. Private schools are becoming bi-modal, composed of the needy and the wealthy.
5. Federal forms are confusing to users.

RECOMMENDATIONS

1. Grant moneys which do not need to be repaid should be awarded to the most needy who have demonstrated in high school that they are potentially capable of college-level work.

There are federal guidelines that once students are in college, monitor their progress towards graduation, but there seem to be no restrictions that prevent grant

funds being awarded to marginally capable students. There is an undercurrent of feeling that some marginal students are admitted to private colleges and given healthy financial aid packets, much of which stems from federal and state sources. These students have not demonstrated potential to succeed.

An example has accured this year in Iowa. A student from a small town in Iowa, who has scored 10 on the ACT (9 percentile nationally) has been admitted to a private college in the state and given a financial aid package of close to $9,000, much of which has come from federal and state funds. The student should not necessarily have been denied a chance at college, but should perhaps have started at a local community college, at less expense, as he/she would have done had they had limited financial means but shown less need than would justify a federal grant.

If a private school wishes to accept these marginal students, that should be their prerogative, but this chancy admission should not be financed by public funds. Public funds should not be gambled, but should be given to those who have demonstrated potential to succeed.

Probably the best single indicator of potential to succeed might be rank in class. Studies have shown that high school grade point average, on which rank in class is based, is a better predictor of success in college than test scores. However, a combination of test scores and rank in class would be better predictors.

For simplicity, the federal government might restrict its grant funds to those who have graduated in the upper half of the class or have ACT or SAT scores at the 75 percentile nationally. This would be approximately a composite ACT of 25 and SAT verbal and math scores of 500 and 550.

Even in a culturally deprived area in which students in general test lower and achieve lower, half of the students are in the upper half and this gives them a chance.

Perhaps the student it discriminates against is the mediocre student in an excellent, competitive school where scores in general are high.

In summary, one criticism of the present High Education Act is that we have "managed to write federal programs to support students in college who shouldn't be there." This would be prevented by tying a measure of ability to the current measure of financial need required to secure federal grants. As the saying goes, "The race doesn't always go to the fastest horse, but if you're going to bet, that's the way to bet."

Not all students should go to college. Perhaps more federal funds should be channeled toward reputable 1-2 year vocational training programs, who will provide the skilled workers America needs.

One of the sources of aid in Iowa, the Iowa Tuition Grant, is felt by most counselors to be an excellent use of funds. I understand that at least a part of the Iowa Tuition Grant money comes from the federal government and is given to the state as discretionary funds to be used as it pleases.

It is valued because it gives students a chance to attend a private school of their choice at a cost more in line with, though not usually equal to, state universities.

However, in my opinion, the tuition grant funds also should be granted on the basis of financial need and ability, as stated above.

2. Raise the lid on the Guaranteed Student Loan Program and continue to grant loans to students with incomes above the lid who show need.

Counselors I have talked to feel that the lid on the Guaranteed Student Loan Program needs to be raised to meet the needs of the clientele we serve. Costs of education have risen so much. I believe that a standard figure for adjusted gross income is appropriate with a necessity to show need if the adjusted gross is above that figure. This allows for families who have many children or several in college or usual situations.

The Guaranteed Student Loan Program is an excellent one because it lets students buy into the cost of their education. One counselor says, "Loans are the answer to education." They say, "We'll help you, but you help someone else." I feel strongly that loans need to be repaid and that those who don't repay should be prosecuted to the extent of putting a lien on their wages.

Perhaps money going to middle-income students should come primarily from loans and not grant funds.

3. Be aware that to some, the current system penalizes those who save.

I'm much less certain about how to deal with the many comments we get about the contrast in aid for lower-middle class families.

Some feel that the present system penalizes those families who have saved and economized to pay for their homes and to have saved money for college.

Perhaps the reverse is more true—that the system rewards unjustly those who have spent frivolously for luxuries such as boats, vacations, etc. and have no money

saved for their children for college. One counselor stated. "Lots of parents aren't willing to make much of a sacrifice to put kids through college."

What I believe is needed, but is hard to have happen, is a change in attitude to "I am proud (to sacrifice) to pay for my children's education because I care about them and want to provide them with a sound foundation for the future."

4. Be aware of the effect current financial aid policies have on private colleges.

I believe that the smaller private school is in danger due to increasing costs. I also believe that the smaller liberal arts college provides one of the best educational experiences. If things go on as they are now in the financial aid game, the populations at the smaller liberal arts colleges will be bi-modal, composed of the weathly who can afford the cost, and the poor who can get enough financial aid. The middle classes, like the students I counsel, will elect the state colleges and universities which they can afford.

5. Simplify the forms and do not make changes in aid procedures and/or forms on an annual basis.

A problem that has been mentioned to me deals with the confusion caused by the forms used, especially for the Pell Grant Program. The following would help:

A. Make the form as simple as possible.

B. Keep the form the same from year to year. Perhaps revisions could be made every 3-4 years.

C. The federal booklet for counselors, explaining the form was received April 9th. Students began getting SAR reports and asking questions about three weeks previous to that date. A counselor commented, "If you're smart enough to figure out the form, you can probably make it through college."

D. When the form is returned to the student, clarify what is to be done with it. Use big print.

Mr. FORD. Thank you. Mr. Austin.

STATEMENT OF ROBERT AUSTIN, STUDENT BODY PRESIDENT, CORNELL COLLEGE, MT. VERNON, IA

Mr. AUSTIN. Well, first of all, I would like to thank both of you for giving us the opportunity to speak to you about the Higher Education Act, and especially about the proposed cuts from the Reagan administration.

I am aware that the specific caps that the President asked for have been rejected by committees, and that compromises have been made, but I still want to express the distress that I felt and that other students felt at those proposals and at the implications that they would have had if they were indeed implemented.

This issue is a very large issue, and I have struggled with this statement and tried to find a way to express the concerns of students and the ramifications of the kinds of cuts in a way that would fully convey the feelings of fellow students and of myself.

One way that I want to do this is to bring the discussion to the human level where it belongs and where it is most easily understood. I am sure that you have been confronted with statistics that stress the impact and severity of the proposed cuts, so I want to address the issue in terms that do not distance us from the human impact, as statistics often do.

I am a junior at Cornell College—it is about 20 miles east of here. It is a small independent private school with a strong tie to the United Methodist Church and a very strong rivalry to Coe College. [Laughter.]

So, it is amazing that two of us are at the same table, but I think we are both united on this issue.

The college has a very diverse student body, and they come from all walks of life, and many other nations besides the United States.

Our college president likes to refer to Cornell as a global village. And there are a number of students from foreign countries there.

At Cornell these students are given opportunities for personal and community growth that are very hard to realize at larger schools, at larger institutions.

Now, I do not want to berate or deride the big schools, because I am a Hawkeye fan too. I looked at Iowa, but I looked at Cornell, as well, and I saw that that is where I wanted to be. I saw that at Cornell, students are able to play football and basketball, things that they could not do on a varsity level at a big school.

Other students lead student organizations or work with faculty and administrators on committees, or plan or participate—work on committees or in planning or participate in music or the theater.

There are many examples, but the point is that at a small college, a small private college, there are ways to lead and participate that are not available as readily in larger situations.

I am president of the English club, and I was elected student body president, and that is just not me—there are hundreds of people out there that, in different areas, that people can go into at a small school and really excel.

I really feel that at a private college like Cornell one can earn a superior education and a major part of this education is the leadership experience that one can live.

And I know that earlier I said that I wanted to stay away from statistics about the effects of the proposed cuts, but I am afraid a few numbers are in order.

Cornell has an enrollment of 1,084. Of these students, 706 receive a GSL, and I am one of those.

I am the first generation in my family that has been able to go to college, out of all my aunts and uncles, and all their kids, and the first person that has gone to a 4-year school. And it is because of financial aid. There would be absolutely no way that I could go if financial aid was not there.

Now, of the two-thirds of the student body that get GSLs, 26 percent, or 182 students, would lose their eligibility if the $32,500 limit were used.

The number of students that would be affected by the proposed $4,000 cap of combined student aid is 277, or 32 percent.

Now, what does that mean on human terms rather than just in numbers?

Well, first of all, there would not be that many people in college, at least not in the traditional manner. I would not be able to afford college, under these cuts, unless I got a job. I am already working 10 or 15 hours a week in the food service over there in the college—work-study program, and I work for professors, raking yards and anything else.

I would probably have to get more work and work part time in order to go and my BA would take much longer to get, 7 or 8 years.

I would also probably have to leave Cornell College, as would many of my friends, and I have already had friends, as Jim has had, that have had to leave Cornell in the past because of cuts, because of the fact that they just cannot afford to go here.

Cornell, I am told, does not have the resources to pickup the slack in financial aid that would occur if these cuts were taken, and I am sure that we are not unique in this area. Cornell is pretty

strong financially, but they have been expending a lot of money to financial aid, and they cannot dig into the endowment any more.

So, what do we do? So, we students leave Cornell, and consequently we flood the public schools, the State schools of our respective States.

That would be quite a flood, for I think Sister Dunn said that in Iowa 40 percent—43 percent, she said—40 percent of all BA degrees are earned at private colleges.

That tells a great deal about retention in those schools and also the impact that the cuts would have. Once those State schools became overcrowded tax money is going to have to be spent in larger amounts there if a quality education is to be made available.

Students would also have to face the fact that they could not go to the school of their choosing. They would have to settle for less than what they consider the best.

In that case, much of the leadership potential that I talked about being available at a small school would just not be there, and would not be nurtured.

We talk a lot about competing with the Japanese and other nations. But how can we succeed without developing the minds and leaders of tomorrow?

I really do think that the success of the American experiment lies in an educated electorate. The competence of the Nation is at stake.

I think—I know we need educated people to choose leaders, to become leaders themselves.

Historical perspectives, an understanding of the complexities of the world, and an openness to new directions are all vital for us, all Americans.

College is, of course, not the only place that one can acquire these things, but it is a great opportunity for many to do so.

I am not saying that college is right for everyone. Not all people have the desire to go to school. Many learn how to be responsible citizens out in the real world.

I am saying, though, that all the people should have the right to make that choice freely.

Sure, there may not be jobs for them once they enter the work force, but they will still be able to live richer lives and have the chance for upward mobility that traditionally has come basically from education or inherited wealth.

I am an English major, and before learning about the teacher shortage I thought that I might be slinging hamburgers at McDonalds, but—[Laughter.]

But when I am out of school—and I do not have any qualms with slinging hamburgers if I can leave work and go home and read Shakespeare or listen to the news and make educated analyses of it—I really think that there has been a great change in the United States in the past few years, especially with the Higher Education Act.

There are more and more people going to college each year, or at least larger percentages. No longer is it just the top 5 percent, or the richest 5 percent, rather, that goes to college. The job market may not hold 30 percent of college graduates, but us setting prior-

ities and saying a college education is something that is good for everyone is a fantastic priority as far as I am concerned.

Some people say, well, "Who will wash the cars and lay the bricks?"

I have had people say, "There has to be someone out there to do these things."

There has to be somebody to sling burgers; there has to be somebody to dig ditches, OK.

I say, why should some middle-class kid, in Detroit, or in Dubuque, be penalized because he was born into a family without enough money to give him the education others can have?

The poor and the rich could still possibly go with these cuts. But the middle class would be really hurt.

I want to know why we continue to preach about equal opportunity and at the same time stratify the Nation?

I want to close by stressing the fact that this country needs to make college available to all, and not limit it to the very rich and the very poor.

I am not alone in the view that the proposed cuts are just another example—and this is a very political statement, but it is a very political issue—another example of the Reagan Administration's stratifying social stance.

By limiting education to the privileged few, we limit the potentials for excellence in our young and in our Nation.

We limit who can go to college into the traditional areas that have always been before the Higher Education Act—the very rich can still go; the middle class, wanting to achieve upward mobility, cannot do that without education, or else, winning the lottery. [Laughter.]

Thank you.

Mr. FORD. Thank you very much.

[Prepared statement of Robert Austin follows:]

PREPARED STATEMENT OF ROBERT AUSTIN, STUDENT BODY PRESIDENT, CORNELL COLLEGE, MT. VERNON, IA

Congressman Ford, Congressman Tauke, first of all I want to thank you for this opportunity to speak to you about the Higher Education Act and especially about the proposed cuts from the Reagan administration. I am told that the specific caps that the President asked for have been rejected by committees, yet I still want to express my distress at those proposals and at the implications that they would have if they were indeed implemented.

I have struggled with this statement and tried to find a way to express the concerns of students and the ramifications of this kind of thinking in a way that would fully convey the feelings of fellow students and of myself. One way in which I hope to do this, to convey these feelings, is by keeping the discussion at the human level where it belongs and where it is most easily understood. I am sure that you have been flooded with statistics that stress the impact and severity of the proposed cuts, so I want to address the issue in terms that do not distance us from the human impact as statistics often do.

I am a junior at Cornell College, a small independent private school with a strong tie to the United Methodist Church. The college has a diverse student body who come from all walks of life and many other nations besides the U.S. At Cornell these students are given opportunities for personal and community growth that are very hard to realize at larger schools. For example some students are able to play football or basketball, things they could not do on the varsity level in a big school, while others lead student organizations or work with faculty and administrators on committees or in planning or participate in music or the theatre. The examples are many but the point is the same: at a small college there are ways to lead and par-

ticipate that are not available as readily in larger situations. I really feel that at a private college like Cornell one can earn a superior education and a major part of this education is the leadership experience one can live.

Now I know that earlier I said I wanted to stay away from statistics about the effects of the proposed cuts, but a few numbers are in order. Cornell has an enrollment of 1084. Of these students, 706 receive a G.S.L., and I'm one of them. Now of the two-thirds of the student body that get G.S.Ls, 26 percent or 182 students would lose their eligibility if the $32,500 limit were used. The number of students that would be affected by the proposed $4,000 limit of combined student aid is 277, or 32 percent.

Now what does that mean on human terms rather than just in numbers? What are the ramifications of such a proposal?

There would not be as many people in college, or at least not as traditional students. I would not be able to afford college under these cuts unless I got a job. I would probably have to go to school part-time and work part-time in order to go, and a B.A. could take a much longer time to achieve.

I would also have to leave Cornell College, as would many of my friends. Cornell does not have the resources to pick up this slack in financial aid and I am sure we are not unique in this area. So we students leave Cornell and consequently flood the public schools of our respective states. That would be quite a flood, for in Iowa 40 percent of all B.A. degrees are earned at private colleges. That tells a lot about the good retention these schools have and the impact the cuts would have. Once these state schools become even more overcrowded tax money is going to have to be spent in larger amounts if a quality education is to be made available.

Students would also have to face the fact that they could not go to the school of their choosing. They would have to settle for less than the best. In that case much of the leadership potential that we students have would not be nurtured. We talk a lot about competing with the Japanese and other nations, but how can we succeed without developing the minds and leaders of tomorrow?

I really do think that the success of the American experiment lies in an educated electorate. The competence of the nation is at stake. We need educated people to both choose leaders and become leaders themselves. Historical perspectives, an understanding of the complexities of this world, and an openness to new directions are vital for citizens. College is of course not the only place one can acquire these things but it is a great opportunity for many do do so.

I am not saying that college is right for everyone. Not all people have the desire to go to school. Many learn how to be responsible citizens out in the real world". I am saying, though, that all people should have the right to make that choice freely. Sure there may not be jobs for them once they enter the work force, but they will still be able to live richer lives and have the chance for upward mobility that traditionally has come basically from education or inherited wealth. I'm an English major and I may be slinging burgers at McDonalds when I'm out of school but I will still be able to go home and read Shakespeare or make educated analyses of the world and national news. There has been a great change in the United States as more and more people go on to college each year, or at least larger percentages. No longer is it just the top 5 percent, or the richest 5 percent rather, that goes to college. The job market may not hold all these college grads, and some people say "Who will wash the cars and lay the bricks?". I say "Why should some middle class kid be penalized because he was born into a family without enough money to give him the education others can have?" Why should we continue to preach about equal opportunity and at the same time stratify this nation.

I want to close by stressing the fact that this country needs to make college available to all, and not limit it to the very rich or the very poor. I am not alone in the view that the proposed cuts are just another example of the Reagan administrations stratifying social stance. By limiting education to the privileged few we limit the potentials for excellence in our young and in our nation.

Mr. FORD. Mr. Young, I do not know that anybody has challenged so many of the things that I had thought since I had Mrs. Schlafly in front of the committee, and I do not want to compare you in any way, but you touch some things that I think are very important for me to ask you about.

You say, our present system of financial aid seems to encourage some to be in college who perhaps should not be there.

One question: Who should decide who should go to college?

Ms. YOUNG. That is a difficult question.

Mr. FORD. Or who should be there, rather?

Ms. YOUNG. Should be there? I think perhaps that that student should decide, but on the basis of their performance in the past, is what I am saying; that being serious in high school and working hard is perhaps a way of saying "I want to be in college."

Mr. FORD. Do you believe that people who are running the schools you have heard from here this morning would knowingly encourage people who are not benefiting or who would have no demonstrated potential to benefit, to continue in school just because they want to keep them there?

Ms. YOUNG. That is a very difficult question to answer. I guess I really feel——

Mr. FORD. It is what your statement suggests.

Ms. YOUNG. Yes, it is. And it is what I somewhat—I guess I really kind of believe that.

I think when the money crunch is difficult, and especially with the smaller private schools—that there are chances to get money for the education of students who may be marginal.

The example that I did not talk about—a student from a small town in Iowa who had an ACT score of 10, which is about the 9th percentile nationally, of the college-bound, was admitted and given a great deal of Federal aid. From the viewpoint of the people that——

Mr. FORD. And how did the student turn out?

Ms. YOUNG. This is just a next year kind of thing. OK. I have had——

Mr. FORD. Does your example mean anything if you do not follow up to find out?

Ms. YOUNG OK. Let me suggest that I have had several students that were my counselees who were admitted to private schools who would not have been admitted to state universities who did not succeed even through the first year, maybe one semester.

Mr. FORD. Were they basketball players or football players?

Ms. YOUNG. No, they were not basketball players. No, they were not athletes, and this particular student was not an athlete either. No, they were not athletes either.

Mr. FORD. I wish you would go back and find out for us what happened to that student that is in your written testimony, the one with 10 percent ACT. I wonder if that student was really that weak—if they were going to survive into the second year, and I wonder if you could follow that up.

Ms. YOUNG. I could let you know in a year.

Mr. THEIN. Pardon me, Mr. Chairman——

Mr. FORD. When you say the cap on the Guaranteed Student Loan Program prevents students from buying into their own education, I think that we all have to agree with that, because it is the primary way that the student makes the most substantial contribution.

But I was reminded in a conversation with Dr. Wolanin last night that when Lyndon Johnson sent the Higher Education Act of 1965 up to our committee, he sent a message to Congress. In it he talked about the Guaranteed Student Loan Program in only one paragraph.

After describing in great detail what his ambitions were for the aid to the low income students and the others, he then said:

And as a part of this package, we have a program that is designed to allow middle class families to aspire to have their children attend college.

That was a very important political ingredient in getting the consensus that passed that legislation because the public will not stand still to only educate the poor.

Their kids have to participate and they have to believe it is fair, or they will not support it.

Sadly, we now discover that amongst the poorest of the poor students, the cost increases, coupled with the decreasing value of the grant money, has pushed more and more of them into Guaranteed Student Loans. We did not think that people coming from $10,000 and less family income families were going to be leaving college with $10 and $15,000 worth of debt. We thought that would be the family a little bit higher on the scale.

It is not working that way; it has been going in the opposite direction.

You say that the present needs analysis seems to reward those who have not saved and planned for their children's education. I found that kind of fascinating.

Ms. YOUNG. That is a comment that we get a lot from parents. Now, I am in a middle-class community——

Mr. FORD. Do you think that Jim's children have a mark on them of some kind that makes them pay because he was profligate and he was not like the squirrel who put it away for the winter?

Ms. YOUNG. No, and I do not necessarily personally feel that Jim's children should not get money for education. I am trying to give you the perspective of the parents that I deal with.

Mr. FORD. But as a policy matter, we have taken the position that Jim and Jack's children are equally entitled to the opportunity, even though Jack is the ideal provider and made all the right guesses, and was lucky enough to keep a job, and Jim was not.

I have often wondered when I hear that expression—and that is common enough—when people say, "Well, why did they not save?"

When I look at what it actually cost for my children to go to college and what I would have put away for them, if I had in my early years of being a parent had any money to put away. As a young lawyer, I had a hard time paying my secretary; and that always came before putting any money in savings.

But if I had started out to save, I suspect that what I would have saved on the best advice that was available to me then, if I had been able to put it in some sort of an investment or annuity, would have paid, instead of for a 4-year college education, would have paid probably most of the way through the first year.

And if I had been advising somebody 10 years ago—they came to me and said, "Mr. Chairman, how much money should I have put away for each of my kids, if I want them to go to a 4-year college when they hit that age?"

I would have come up with a figure that was that far off, too. What I would have told them they needed would have paid for the first year, and so I do not know who these people are that manage

to guess right, and save the money, but there are not very many of them out there.

And then I am fascinated by this observation—private schools are becoming bimodal, composed of the needy and the wealthy.

Ms. YOUNG. Yes.

Mr. FORD. Mr. Austin says that the combined effect of the proposed cuts would produce that kind of result.

Are you saying that the present system has locked out the middle class and so we have only at a school like this very poor children, and wealthy children?

Ms. YOUNG. I think so much depends on what you see as middle class; and upper class and lower class.

I guess I am saying that there is a portion, and I would refer to it as the middle class who are not needy enough to get any Government aid, who will not send their students to private schools, for the most part, because they feel they cannot afford it.

Mr. FORD. You know, middle class does not really mean very much unless you define it.

My contemporaries in the law profession who make a half million dollars a year call themselves middle class people.

The city employees in my district who make $15,000 a year regard themselves as middle class people.

I rarely run into somebody who regards himself as poor and never find anybody who regards himself as rich.

We have to be arbitrary, and we have used the cutoff figure someplace at the point where two-thirds, or three-quarters, rather, of the population falls below the line; one-fourth above; and we say that is the line.

And do you know where that is right now?

Ms. YOUNG. No, I do not. I was just going to ask you. I would——

Mr. FORD. About $30,000?

Ms. YOUNG. I would have guessed $30,000—maybe $32,500.

Mr. FORD. Now, is it fair to say that people over $30,000 are presumed to be middle classed?

Ms. YOUNG. Yes, I would imagine so.

I do not know.

Mr. FORD. Well, I have heard this morning from the people talking about the average family income in their schools. The fact is that that average is achieved by having a number of relatively low-income families, and a group of relatively high-income families; so that the average itself comes out rather strangely to look almost exactly like the average family income in the country.

While I said that 25 percent are above $30,000, if you take the average of all the families in the country, it is only around the $20,000 mark; it is a little bit less than $20,000.

So that if you are looking for something that is average, that population they describe here is average; and I would be interested in anything that you might like to submit to augment that suggestion that the present system is locking this group of people out.

And then finally the one that I find very interesting is that Federal forms are confusing to users.

Ms. YOUNG. Yes.

Mr. FORD. Compared to the way that it used to be done, there has been an absolute revolution, but then you amplified on that by saying that you were just getting the booklet.

That followed upon your suggestion that one of the things wrong with the form is that they are not updated. Well, the reason that you are just getting the booklet is that there are a number of factors in these programs that require that they have to be updated every year. The form for last year cannot be used this year because by the operation of factors that are tied to the economy, such things as parental contribution schedules and so on—have to be set annually and take into account the realities of what happened in the past year.

In terms of what you ask a student about that student, that has not changed on the form except to be much shorter than it used to be.

And now we have a single application for all of the programs. What kind of forms do you see as a counselor that you find particularly troublesome to you?

Ms. YOUNG. The one that I was referring to was the one that was returned from—where the application to the Pell Grant, the FAR—SER [Student Eligibility Report]. That is the one to which——

Mr. FORD. What is the problem with that one?

Ms. YOUNG. One of the problems is that students keep bringing it in, and we never see it. It is never sent to us, and I got the book Monday that had the form in it, and it told about it.

But, in general, they are bringing it in, and saying "What's this mean?" "What's that mean?" And I have never seen the form before.

It is not distributed as a matter of course to the people that are going to be answering the questions. And so it is difficult to answer the questions.

And it does not say real clearly on it "This form should be sent directly to the college to which you apply, and the original must be sent."

I believe it says it there, but, again, I do not see the form; so I cannot—except very, very shortly.

Mr. FORD. As a counselor—and I happen to believe that you people who are high school counselors are one of the most important links in this whole chain—and unfortunately because of budgetary cuts and the fact that the Federal funds were cut back on counseling—one of the weakest links because they are constantly draining off resources from counseling, in our schools across the country, into other more immediate educational needs.

If you have a student who seems confused about the form, and you cannot answer the question, what is your next step?

Ms. YOUNG. I ask them to call one of the financial aid officers at the colleges who are very knowledgeable.

Mr. FORD. You see, I do not mean to bypass you folks, but when a student in my area asks me, I say, "Where do you want to go to school?"

And they tell me. I say,

Get out there and hitchhike—get a ride; go anyway you can; go up to the school and see the student aid officer, and they will tell you. Don't talk to your family.

Don't talk to anybody and get half the word. Go to the student aid officer, have him do a quick rundown, and they will tell you exactly what is available to you.

Ms. YOUNG. Well I would say that if the question was of any doubt. If the question is relatively minor in a method of procedure, the student aid officers at Coe, Cornell, Mount Mercy, Kirkwood, are all extremely helpful and willing to do it even though the student is not going to attend their institution.

Mr. FORD. Are your students complaining that they are having trouble because the forms are too difficult?

Ms. YOUNG. The comment was not made by my students. In order to give you a perspective, I called several other counselors, and it is the counselor in a smaller town that actually said, "This is something that I feel very strongly about, how difficult the forms are."

Perhaps I can get him to——

Mr. FORD. Well, this is very interesting because Mr. Bennett wanted to make it even more complicated because he wanted 100-percent verification, for example.

Ms. YOUNG. Yes.

Mr. FORD. And the attempts to simplify that have been made over the years could be wiped out, and you have given as a very valuable approach to this as a reason why we should not let them do that.

I thank you very much.

Mr. Tauke.

Mr. TAUKE. Thank you, Mr. Chairman.

Mr. Austin—is it Fein or Thein?

Mr. THEIN. Thein.

Mr. TAUKE. And Mr. Austin and Mr. Thein.

What do you suspect each of you would do if you lost your student assistance?

Mr. THEIN. If I lost my Federal financial aid, in terms of the whole thing?

Mr. TAUKE. Right.

Mr. THEIN. I would assume that I would either have to attend the community college and get some type of technical training, or find some employment back home, until I could raise enough funds to attend a State university.

Mr. AUSTIN. It would be very hard for us—for one thing to convince my parents that I should be going to college. If I were graduating from high school, no chance for funding—if we were at $32,501, and we were cut off for a lot of us—I would be—I would go to a community college where I was working.

If the funding would be cut next year.

Since I am already going to be a senior at Cornell, it would cost me a great deal more to transfer and start over, in losing some credits; and I would not be able to do that. I would have to stay at Cornell and do as well as I could, possibly go a half year, and then continue the next year.

Mr. TAUKE. Thank you. I noticed earlier during the questioning, you were both anxious to comment on some of the issues raised. What was it you were planning to say?

Mr. AUSTIN. Well, I was going to discuss one point. I had a friend that had a 13 ACT and he went to Iowa and did every well. And he

was kind of distressed that, he didn't think that was a very good measure of his potential.

Ms. YOUNG. Was he in the upper half of his class?

Mr. AUSTIN. No.

Mr. TAUKE. Well, you said in your discussion that everybody should be able to go to college if they are able—well, you said everybody should be able to go to college who chooses to do so, but college isn't for everybody.

Mr. AUSTIN. College isn't for everyone if they choose not to go. I'm not saying that some people shouldn't go. I'm saying if they don't want to go, then, that's fine.

On the one hand, I don't want to force anyone into school, and I'd love everybody to go to college; it would be great, but not everybody wants to go. So that's what I was bringing up.

Mr. TAUKE. So you don't think that it's important to have any kind of screening, if you will? I mean, to put it another way, are you doing somebody a favor by throwing them into an arena in which they can't succeed?

Mr. AUSTIN. No. And I do agree with some way—you know, I mean, colleges have standards; they have standards. I don't know how they set them, and that for me is just incredibly difficult. I don't know if you take into consideration all these factors, whether you can turn someone away that came from an economically disadvantaged area, or came from an extremely fantastic class, and they're the 51st or 49th percentile, or whatever.

I don't know how to set those standards. If they have to individually look at these people and give character references or what. You know——

Mr. TAUKE. It is difficult. I think that everybody would probably agree that it's a very difficult thing to know who will and who will not make it.

Mr. FORD. Excuse me. Don't most of the schools have a compromise position on that? Where they admit people on probation?

Mr. AUSTIN. Sometimes, sure.

Mr. THEIN. I do sit on the admissions and financial aid committee here at Coe, and they deal with incoming students who are questionable and all those students are sent to our committee and we look at all pertinent factors concerning grade point average, class rank, ACT, and if those are below the minimum levels that the college sets, then we take in other factors, like counselors' reports, how they did in the hard sciences and the English's and if they worked a lot during school, or other considerations, and if we find that there were some extraneous factors as to why they may be didn't do quite as well in grades or on their ACT, and then we will allow them in on probation.

And financial aid is given to students, based on how well they do academically, also. Here at Coe anyway, the high grade point you achieve here at Coe, the more financial aid you get, and this is somewhat true, I believe, coming in. For a year, we had a policy here at Coe that students who were admitted on academic probation would receive, I believe it was, no financial aid from Coe College when they were admitted. That they had to finance their own selves and that this was you know, a kind of punitive action taken against them for not exceeding in high school.

But we did not go so far as to now allow them in college, and *give them any financial aid*, because they didn't happen to achieve in high school. I don't think that because someone doesn't have his priorities straight or maybe has problems for 4 years of high school, that this should be held against them for their entire adult lives, and for their earning abilities and educational factors they may achieve.

Mr. TAUKE. You mentioned, Mrs. Young, about the forms. Unlike my colleague, I've heard a lot of complaints about the forms and from my review of the few that I've seen, and I've asked that we get the rest of them, I think they're pretty complex and complicated. Worse than the tax forms, and the IRS forms are pretty bad.

So I think maybe it's something we'll want to look at, but what you said that seems to raise the most controversy is the issue about the marginal students and whether or not students who are academically not qualified are being admitted into colleges.

Do you know what kinds of procedures most institutions follow, in admission? Are you, as a counselor, for example, aware of any minimum standards that schools have?

Ms. YOUNG. I would say that most of the schools, it's a totally individual matter, according to the schools. The university of Iowa, for instance, is very up front. You're in the upper half of your class, or you get an ACT of 24. And then they do take some students who do not meet those criteria, but then it's usually on the basis of extraneous circumstances, letters from the counselors, and those kind of things.

They're the most up front with how they deal with admissions. Any of the State schools, if you're in the upper half, you will be admitted to school. I'm not that aware of how the private schools do it.

I used to feel that you had to be more highly qualified to get into a private school. I don't feel that way anymore. I would guess, in general, that they also look at the upper half. But I do not know that at all.

Mr. TAUKE. But is your feeling, and I take it in talking with other counselors, that some of them have the feeling too, that students who have a very minimal chance of success are being admitted, and I gather in order to swell the ranks?

Ms. YOUNG. Well, that's what we wonder. We some admitted that we really wonder why they're admitted because the chance of success does not look good. And I'm not saying, either, that you should for the rest of this person's adult life, not let him do anything because he didn't succeed in high school. I'm not sure that he shouldn't attend a community college, and perhaps prove himself there for a year, and then be admitted to a private school, if a private school is indeed his goal.

Mr. TAUKE. Well, thank you very much, all of you, for some very good testimony.

Mr. FORD. Let me ask you something appropo to your last comment. I was asking the college people about the GED and the ability to benefit theories. As a high school counselor, do you think we should give aid to a student who doesn't complete high school?

Ms. YOUNG. Yes. I would not see anything.

Mr. FORD. Thank you. Mr. Cunningham, executive director, Iowa Student Loan Liquidity Corp., Mr. James Shay, executive director of Iowa College Aid Commission, and Mr. James Struve, vice president of retail banking division, Merchants National Bank of Cedar Rapids.

You may proceed, Mr. Cunningham, to summarize or to comment upon, or to highlight your statement as you find most convenient.

STATEMENT OF EDWARD J. CUNNINGHAM, EXECUTIVE DIRECTOR, IOWA STUDENT LOAN LIQUIDITY CORPORATION, DES MOINES, IA

Mr. CUNNINGHAM. Chairman Ford, Congressman Tauke, ladies and gentlemen. I am the executive director of the Iowa Student Loan Liquidity Corp., ISLLC. ISLLC is a private, not-for-profit corporation formed at the request of the Governor in response to a resolution passed by the State guarantor the Iowa College Aid Commission.

We are chartered to provide State-based secondary market student loan support. In fulfilling this responsibility, ISLLC, since 1981, has issued over $100 million in debt. The proceeds of which we use to purchase over 45,000 loans from 130 Iowa commercial banks, savings and loan associations, and credit unions.

The student borrowers represented in our portfolio currently attend or have attended 725 postsecondary educational institutions throughout the world. However, as might be expected, 82 percent attend Iowa educational institutions. Sixty-six percent of our existing portfolio is in repayment; of these loans, 97 percent of the payments due are current. This is significant and totally in conflict with currently held popular myth and I wish to repeat it; 97 percent of the payments due Iowa Student Loan Liquidity Corp. are current. To date, the corporation's cumulative default rate is 2.96 percent. The ISLLC has aggressively encouraged its participating lenders to reinvest and expand their activity in the Student Loan Program. Last year, ISLLC compiled figures of loan originations for the years 1980 and 1983. These years were chosen, as 1980 was the last year before the corporation began actively purchasing loans in the Iowa market, and 1983 was the most recent year for which accurate figures were available when the analysis was done.

The results of the analysis show the total volume under the Iowa guarantee rising 75 percent. This is significant, given the continuing imposition of income needs in 1983, and the perception on behalf of many students of loan nonavailability, and the entrance into the State of a competing guarantor. During this same year, lenders dealing with the national secondary market increased their volume by 60 percent. Lenders dealing exclusively with the Iowa Student Loan Liquidity Corp. who provided 21 percent of the market share increased their loan originations 168 percent. The ISLLC, our board of directors, our management, and our staff feel we have provided not only significant liquidity to the Guaranteed Student Loan Program, but have encouraged substantially higher than average participation in the program through our participating lenders, and, at the same time, have maintained a default rate

less than one-half the State average. The ISLLC loan purchase programs to date have been funded through the issuance of tax exempt revenue bonds. As the committee is aware, after the enactment of the 1983 amendments, the Department of Education began imposing a justification requirement as a condition precedent to the receipt of special allowance for student loans originated or purchased with tax exempt instruments.

What has followed has caused a nightmare of delays and unfounded objections and refusals to approve financings which have, or will, at worst, disrupt the availability of student loan capital nationwide, and at least, immeasurably increase the cost of obtaining such capital.

Since ISLLC has been engaged in this justification process since January 1984, and unable to obtain approval for proposed financing, we feel we're in a position to accurately address the current problem. Public and private entities involved in providing and supporting student loan credit, include financial aid officers, the lending community, and guarantors, as well as State and national secondary markets. The activity level of each of these participants is interdependent, and must be adjusted according to the experienced activity level of complementary participants.

No entity can effectively over time, act in isolation. The lengthy application process currently enforced by the Department of Education, is disrupting the harmony of this delivery system and the negative rippling effect is beginning to be felt.

With ISLLC and comparable entities in other States, as a significant and historically stable source of funds, the projected scope of future credit available through these entities constitutes an important expectation upon which lenders base their lending policy. While these lenders can react to the provision of more credit than anticipated, there is serious concern about their ability to commit additional capital to student loans in today's market, in the absence of consistent and timely secondary market purchases.

This situation is magnified in Iowa, because of the extremely weak agri-industry and agriculturally-based economy. And as reported in the Des Moines Sunday Register, April 7, 1985, "Iowa Banks still suffer: one in six reports a loss for 1984."

The methodology currently employed by the Department of Education in determining the need for tax exempt financing involves an elaborate process that requires a forward estimate that must be accurate, but is based on historical activity. Since lenders are not contractually bound to originate any student loans, they can alter their lending practice in response to changes in the market place in which they operate. Regulations ignore this possibility.

Also, at no time during this determination is the preference of these financial institutions considered. Since the monetary foundation of the program rests in great part on the financial community, to ignore their preference is clearly not being responsive to the needs of the major participants.

Additionally, where estimates of area student credit demands are relied upon to size loan funding, it is to be expected that the accuracy of such estimates is directly contingent upon the timely availability of credit to be supplied by the contemplated financing. The

current approval process ignores and frustrates the importance of this time/accuracy relationship.

The Tax-Exempt Committee of the Department of Education, by its own admission, does not want the burden of this approval process. The regulations as currently written by the Department are a mechanical failure, filled with technical flaws and practical difficulties that clearly demonstrate DOE's lack of expertise in tax matters, and their inability to understand the technicalities of financing vehicles. Simply, the requirement of prior review is a fundamentally unsound approach to assure adequate and timely student loan credit. The ISLLC has a responsibility to the citizens of Iowa, to prudently and responsibly operate our program. We feel we are fulfilling this responsibility. The regulations currently in effect have crippled our ability to continue to do so; and we do not feel that they are in the best interests of the lenders, the students, the educational institutions, and the citizens of Iowa, and the Nation, as a whole. The ISLLC does not stand alone in this position, and calls upon this committee to readdress the intention of the Student Loan Consolidation and Technical Amendments Act of 1983 as it relates to tax-exempt financing.

Last year, Congress enacted the Deficit Reduction Act of 1984. This Act imposes a State-by-State limit on private activity bonds, including tax exempt student loan revenue bonds. This legislation in itself would appear to be sufficient to control excess student loan credit. However, coupled with Section 103 of the Internal Revenue Code, and particularly, its arbitrage regulations, in our estimation, there are effective and efficient controls in place.

If these provisions are viewed by your committee, Congressman Ford, as insufficient, then we would suggest a reasonable effective evaluation process could be a review of the historical record of fund utilization by a secondary market. Certainly, this would be a reliable indicator of an entity's desire and ability to issue obligations only within the reasonable needs for student loan credit within the area served by the authority.

In an effort to assist the chairman, and the members of this subcommittee, ISLLC would welcome the opportunity to work with you toward the correction of what we view as a significant but rectifiable problem.

Mr. Chairman, I would be happy to address any questions that you or your subcommittee may have. Thank you.

[Prepared statement of Edward Cunningham follows:]

PREPARED STATEMENT OF EDWARD J. CUNNINGHAM, EXECUTIVE DIRECTOR, IOWA STUDENT LOAN LIQUIDITY CORP.

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ISLLA, our Board of Directors, our Management and our Staff feel we have provided not only significant liquidity to the guaranteed student loan program of this State but have encouraged substantially higher than average participation in the program through our participating lenders and at the same time have maintained a default rate less than one-half the State average.

ISLLC's loan purchase programs, to date, have been funded through the issuance of tax-exempt student loan revenue bonds. As the Committee is aware, after the enactment of 1983 amendments, the Department of Education began imposing a justification requirement as a condition precedent to the receipt of special allowance for student loans originated or purchased with tax-exempt instruments. What has followed has caused a nightmare of delays and unfounded objections and refusals to approve financings which have or will at worst disrupt the availability of student loan capital nationwide; and at least immeasurably increase the cost of obtaining such tax-exempt financing approval. Since ISLLC has been engaged in this process since January 1984 and unable to obtain approval for our proposed financing, we feel we are in a position to accurately address the current problem.

Public and private entities involved in providing and supporting student loan credit include financial aid officers, the lending community and guarantors, as well as state and national secondary markets. The actual level of activity of each of these participants is interdependent and must be adjusted according to the experienced activity of complementary participants. No entity can effectively over time act in isolation. The lengthy application process currently in force by the Department of Education is disrupting the harmony of this delivery system; and the negative rippling effect is beginning to be felt.

With ISLLC and comparable entities in other states, as a significant and historically stable source of funds, the projected scope of future credit available through these entities constitutes an important expectation upon which lenders base their lending policy. While these lenders can react to the provision of more credit than anticipated, there is serious concern about their ability to commit additional capital to student loans in today's market in the absence of consistent and timely secondary market purchases.

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Additionally, where estimates of area student credit demands are relied upon to size loan funding, it is to be expected the accuracy of such estimates is directly contingent upon the timely availability of credit to be supplied by the contemplated financing. The current approval process ignores and frustrates the importance of this time/accuracy relationship.

The Tax-exempt Committee by its own admission does not want the burden of this approval process. The regulations as currently written by the Department are a mechanical failure filled with technical flaws and practical difficulties that clearly

demonstrate DOE's lack of expertise in tax matters and their inability to understand the technicalities of financing vehicles. Simply, the requirement of prior review is a fundamentally unsound approach to assure adequate and timely student loan credit.

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In an effort to assist the Chairman and the members of this Subcommittee, ISLLC would welcome the opportunity to work with you toward the correction of what we view as a significant but recitifiable problem.

Mr. Chairman, I would be happy to answer any questions that you or the Subcommittee might have. Thank you.

Mr. FORD. Thank you. I think I should respond immediately. You're talking about the Ford amendment causing all this trouble.

Mr. CUNNINGHAM. Yes sir.

Mr. FORD. And you're telling me that someone in the Department of Education says that they would rather not have it? They got me to put it in. I worked with Secretary Bell on writing the amendment, and then I engaged—and you probably have copies of it—in an exchange of letters with him after the regulations were written, indicating that the regulations were not consistent with what we wanted to do.

Now, there is absolutely no legitimate excuse for you not having an answer in more than a year. I can guess as to what has happened. Stockman has said, I don't want any more of these approved, and since they don't have the basis to disapprove you, they just don't answer.

And I'll be very happy to join with Congressman Tauke in asking the Secretary to move them off the dime over there, either say no to you, or say yes.

Mr. TAUKE. Well, we expect to have an answer today.

Mr. CUNNINGHAM. Hopefully, yes sir.

Mr. FORD. Do you?

Mr. TAUKE. If we get a negative one, we'll be back in touch.

Mr. FORD. Unfortunately, we had to do this because one of the States that touches on this State that was borrowing about five times as much—more than that—probably ten times as much money per year as they had ever given out in their entire history in student loans, and arbitrating that money for other purposes in the State. We became a ready way for small states to figure out how they could go borrow money with tax free revenues, and throw it into a whole lot of other uses.

The citizens wouldn't object to borrowing money for education, but if you borrowed money to build what you really wanted to

build with the money, they might. There were a couple of states doing this, very blatantly, and there were others that could not show a relationship between how much they were borrowing, through tax free revenue bonds, and how much was being made available for student loans. There should be some kind of a relationship.

The original purpose of your type of organization was to not supplant other kinds of lending institutions but to supplement to act in their absence. We had to be very careful that the bankers did not feel that we were superimposing some kind of a new banking system that was going to cut them out.

The problem you're having has nothing, incidentally, to do with abuse by the students. It has to do with abuse by States in using the revenue bond money in a different way, and as you said, as a matter of fact, part of the problem was solved by the tax bill of I think last year.

Mr. CUNNINGHAM. Yes sir.

Mr. FORD. That put a limitation on these things. And that may be sufficient in and of itself. It certainly would with your neighbor, would stop them from doing what they're doing. But we'll have another look at it, and as Tom says, if it's negative, we'll have to go after it because it was not intended to get in the way of legitimate activities. We spent several years trying to get people like you in business, because without you, we had a number of States where we just didn't have any practical availability of loans at all.

I might observe on a humorous vein, that you're the guy that Stockman's been looking for. You point out early in your statement that you had 167 percent increase in loans in 2 years. He's been trying to figure out why that program costs more money. And it's people like you that are causing him all this difficulty. I won't tell him on it.

Mr. CUNNINGHAM. He can hardly be considered the favorite son of Iowans, sir.

Mr. FORD. You people are fairly new into this game, and before you, we had many parts of the country where these loans were just not very broadly available. And so we don't really know how much of the change that's taken place in the last 5 years reflects big changes in the economy and how much of it is just that there's more availability to more people in more places.

Small town America, for the most part, was not in this program for most of its life, and you people have made it possible for even the smallest of banks to participate and that's important, because they're the ones that are at home. And I appreciate your statement being couched so gently. It's clearly a criticism that I accept and feel. I've been having trouble with that ever since I did it, and unfortunately Bell is gone now, and we have a new man.

But Ted Bell did try to do the very best he could to correct that. Maybe that's part of the reason that he decided to leave; it's part of his frustration.

Mr. CUNNINGHAM. Thank you, Mr. Chairman.

Mr. FORD. Mr. Shay is next, I guess.

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STATEMENT OF JAMES E. SHAY, EXECUTIVE DIRECTOR, IOWA COLLEGE AID COMMISSION, DES MOINES, IA

Mr. SHAY. Chairman Ford, Congressman Tauke, I address you this morning as a State agency designated as guarantor for the Guaranteed Student Loan Program.

I would like to take just a moment to explain to you the role of the Iowa College Aid Commission in postsecondary education. As guarantor, we provide 100 percent guarantee to the lenders of student loans, making that loan risk-free to the lenders.

In addition to being the designated State guarantor for the Guaranteed Student Loan Program, we also administer State-appropriated funds designated for five different financial aid programs supported here in Iowa.

The majority of my comments this morning will address our loan program responsibilities. The issues which I wish to bring to your attention are:

One, the importance placed on education by all Iowans;

Two, erosion of Federal financial support and how it affects postsecondary education, as we as economic development in the State of Iowa; and

Three, problems generated by competition between State and national guarantors.

The State of Iowa has a long history of providing strong support to its educational system. This support exists from kindergarten through all of its postsecondary educational institutions. Iowa was an early leader in the United States for dedicating a good portion of its State's financial assets to student aid. In recent years, the State's economy has been strapped, and strapped our financial resources. But even during these belt-tightening times, Iowa has continued its support of education, even though we have been unable to increase that support to the levels that are desired.

In the current academic year, there are 150,000 students enrolled in postsecondary education here in Iowa. Of these, only 3 percent, or 5,000 students, are recipients of the Federally sponsored State Student Incentive Grant. This year, the State of Iowa has received $800,000 from the Federal Government in support of this program to which the State of Iowa has matched with an approximate $1 million. These funds combined are administered by our commission to support State of Iowa scholars who demonstrated a financial need, as well as students enrolled in our vocational-technical schools.

We are greatly concerned with the possible errosion of this Federal support, especially now when the State of Iowa is really strapped for its own source of revenue.

There are several federally sponsored financial aid programs of which students in Iowa take advantage, many of which have already been discussed this morning, and these include the College Work-Study Program, the Direct Student Loan Program, and the Pell Grant, to name a few. These programs are campus-based programs of which my commission is not involved in the administration. But I am confident that the administrators of these schools are just as concerned about the erosion of Federal support of these programs as I am of the erosion of the SSIG Program.

A major source of financial aid is provided by the Guaranteed Student Loan Program. In fiscal year 1984, the Iowa College Aid Commission guaranteed $115 million in Guaranteed Student Loans. Approximately 50 percent of the students enrolled in the State of Iowa in all of our postsecondary educational institutions, rely upon the Guaranteed Student Loan Program to fund their college expenses even though the Guaranteed Student Loan Program is really considered the last priority in our financial aid package.

Of the 34,000 out-of-State students enrolled in Iowa schools, I believe it is safe to presume that at least 50 percent of these students as well rely on the Guaranteed Student Loan Program with lending institutions in their home state to support their college expenses. As you can see, Iowa relies heavily on the Guaranteed Student Loan Program. We also fully recognize our responsibilities in insuring the integrity of this program, and we put forth a great deal of effort to insure that the program is run in a fair and professional manner.

We are proud of the fact that Iowa has one of the lowest default rates in the country. Presently, are cumulative default rate is approximately 5.2 percent, as as far as the fiscal year default rate, which is used to determine the level of reinsurance or the trigger by the Federal Government, it was only this last fiscal year in which our annual rate temporarily exceeded 5 percent.

In Iowa, the guarantor and the schools, as well as the lenders, accept equal responsibility for insuring a low default rate. This partially explains our existing low rate. Another major factor in this rate is the inbred integrity of Iowans. I am sure there are a few exceptions, as there are in any general statement. However, I am confident that these exceptions are few and far between. By far, the majority of those students who do default on their student loans do so simply because they do not have the resources to pay off their loans, as much as they would like to do so.

As administrators of this program, we dedicate considerable effort to collecting on our defaulted loans. We employ four professional collection agencies to assist us in this effort. Additionally, we have recently established with the cooperation of other agencies in our State government, a tax offset program as well as utilization of the small claims court. We also have been very successful on our own in-house, that is the Iowa College Aid Commission staff, effort at collecting from borrowers and establishing their repayment plans.

I emphasize this point, Mr. Chairman, because I want to stop the general feeling that exists, especially after some of Secretary Bennett's statements, that people use the Guaranteed Student Loan Program for personal uses other than to finance college education. I'm sure that does, there are, you can point out examples where that goes on, but for the general, and by far, the majority of the students, they use it because they need the funds to finance their college education.

As a guarantor of the Guaranteed Student Loan Program, the success of our effort is directly related to the volume of our loan portfolio because it is this volume which provides us our only source of revenue. This revenue is in the form of the administrative cost allowance which is paid to us by the Department of Edu-

cation at a rate of 1 percent of our loan volume, and the guarantee fee which we charge the student borrower for each loan. This guarantee fee, by the way, has been reduced in the last 1½ years from 1 percent to three-fourths of 1 percent.

If our loan volume decreases, these sources of revenue will also decrease and consequently our reserve fund will be weakened. It is absolutely mandatory that we keep our reserve at as high a level of strength as possible in order that supporting lending institutions will feel confident in investing their money in the Guaranteed Student Loan Program.

As Mr. Cunningham from the Iowa Student Loan Liquidity Corporation can verify, it is absolutely mandatory for the purposes of financing the secondary market that our reserve fund be strong.

We are concerned about President Reagan's administrative proposed budget for fiscal year 1986, and its impact on financial aid. I think most of us in Iowa realize that education will have to carry its share of budget cuts necessary to reduce the national deficit. But the original proposal from President Reagan would have been devastating to education, not only here in Iowa, but throughout the country.

It was conservatively estimated that President Reagan's initial budget proposal, that is, $32,500 family income limit, and the $4,000 individual student megacap, would have direct impact on approximately 25 percent of the students now enrolled in college and using financial aid.

That would have been devastating not only to the students' own personal development, but to the Nation as a whole and its need for educated citizens.

The Iowa Guaranteed Student Loan Program has been administered well and our reserve fund is very healthy. Even if the proposed administrative cost allowance is eliminated at a loss of $1.2 million annually in revenue to the Iowa College Aid Commission Reserve Fund, and the reinsurance rate is decreased from its present 100-percent, 90-percent and 80-percent levels, to the proposed 90–70–50 percents, we feel we can carry on the Guaranteed Student Loan Program, if the reinsurance rates do not reach the 50-percent level.

But we can only do this if our volume is maintained and students do not drop out of school because there is lack of financial aid or lenders are not discouraged from participating because there's no incentive to do so. Lenders in the State of Iowa have been very supportive of the Guaranteed Student Loan Program. Many of them do so purely as a public service. The entire State has benefited from the Guaranteed Student Loan Program.

The $115 million loan portfolio that I mentioned earlier generated a $12 million annual new fund coming into the State of Iowa through Federal subsidies and special allowances. We in Iowa are greatly appreciative of this Federal support, and we are thankful for the opportunity to use this money for good purposes. This $12 million new money has turned over approximately two and a half times, in the State of Iowa, generating a total new revenue source of approximately $30 million annually.

In conclusion, I would like to point out that the Federally endorsed policy of State and National guarantors competing with one

another is a waste of resources. As I have previously stated, all guarantors must rely on a high loan volume to ensure a strong and healthy reserve fund to back up its program. Competing guarantors detract from that goal. It is also nearly impossible to take a hard and firm stand on either individual defaulters or institutions who have high default rates, be they lenders or schools. If I, as a State guarantor in Iowa, have a lender or school that I feel has excessive default rates and is not taking steps to correct that default rate, it does little good for me to take a hard stand by threatening termination. That institution will simply shift their program to a national guarantor.

I think, in addition to underlining any effort to combat default rates, multiple guarantors in the same State lend confusion on the part of the students who have trouble enough keeping track of his or her loans, and to whom he or she owes the money and repayment. They must also now keep track of who guarantees the loan. This also contributes to the complexity of any attempt on the part of the student to consolidate his or her loans. I believe there is a role for national guarantors to provide support to the States who do not have a designated State guarantee agency. On the other hand, I believe it to be most detrimental to have more than one guarantor working in the same State.

And Mr. Chairman, and Representative Tauke, I too, would like to add my thanks and appreciation for your coming here to hear us today.

[Prepared statement of James Shay follows:]

PREPARED STATEMENT OF JAMES E. SHAY, EXECUTIVE DIRECTOR, IOWA COLLEGE AID COMMISSION, DES MOINES, IA

Congressman Ford, Congressman Tauke: Thank you for the opportunity to present to you directly our position on the most pressing needs of financial aid for postsecondary education in the State of Iowa. I address you this morning as the State agency designated as guarantor for the Guaranteed Student Loan Program. I would like to take just a moment to explain to you the role of the Iowa College Aid Commission in postsecondary education. As guarantor, we provide 100 percent guarantee to the lenders of student loans, making that loan risk free to the lender. In addition to being the designated State Guarantor for the Guaranteed Student Loan Program, we also administer State-appropriated funds designated for five different financial aid programs supported here in Iowa. All the funds allocated to these five programs are used for students who demonstrate financial need.

The majority of my comments this morning will address our loan program responsibilities. The issues which I wish to bring to your attention are:

1. The importance placed on education by all Iowans;
2. Erosion of Federal financial support and how it affects postsecondary education as well as economic development; and,
3. Problems generated by competition between State and national guarantors.

The State of Iowa has a long history of providing strong support to its educational system. This support exists from kindergarten through all of its postsecondary educational institutions. Iowa was an early leader in the United States for dedicating a good portion of its State financial assets to student aid. In recent years, the State's economy has strapped our financial resources; but, even during these "belt tightening" times, Iowa has continued its support of education even though we have been unable to increase that support to the levels that are desired.

I feel it is important that Federal legislators recognize the importance we Iowans place on education, and that support goes beyond providing "lip service". It is for that reason that we have been greatly appreciative of the Federal support that we have received.

It has been well publicized in recent times, that Iowa is at the bottom of the list in per capita Federal support, and I suspect that in the specific category of education we probably are also low in Federal dollars per capita.

In the current academic year there are 149,451 students enrolled as postsecondary education students, excluding those enrolled in proprietary schools. Of these, only 3 percent, or 5,000 students, are recipients of the federally sponsored State Student Incentive Grant. This year the State of Iowa has received $800,000 from the Federal Government in support of this program to which the State of Iowa has matched with approximately $1 million. These funds combined are administered by our Commission to support State of Iowa Scholars who demonstrated a financial need as well as students enrolled in our Vocational-Technical schools.

We are greatly concerned with the possible erosion of this federal support, especially now when the State of Iowa is really strapped for its own source of revenue.

There are several federally sponsored financial aid programs of which students in Iowa take advantage, including the College Work-Study Program, the Direct Student Loan Program, and the Pell Grant, to name a few. These programs are campus-based programs of which my Commission is not involved in the administration. But I am confident that the administrators of these schools are just as concerned about the erosion of Federal support of these programs as I am of the erosion jof the SSIG Program.

A major source of financial aid is provided by the Guaranteed Student Loan Program. In fiscal year 1984 the Iowa College Aid Commission guaranteed $115 million in Guaranteed Student Loans. Approximately 50 percent of the students enrolled in all of our postsecondary educational institutions relied upon the Guaranteed Student Loan Program to fund their college expenses. Of the 34,000 out-of-state students enrolling in Iowa schools, I believe it is safe to presume that at least 50 percent of these students also relied on the Guaranteed Student Loan Program with lending institutions in their home states to support their college expenses. As you can see, Iowa relies heavily on the Guaranteed Student Loan Program. We also fully recognize our responsibilities in insuring the integrity of this program, and we put forth a lot of effort to insure that the program is run in a fair and professional manner. We are proud of the fact that Iowa has one of the lowest default rates in the country. Presently our cumulative default rate is approximately 5.2 percent and, as far as the fiscal year default rate which is used to determine the level of reinsurance by the Federal Government, it was only this last fiscal year in which our annual rate temporarily exceeded 5 percent. In Iowa, the guarantor and the schools, as well as the lenders accept equal responsibility for insuring a low default rate. This partially explains our existing low rate. Another major factor in this rate is the inbred integrity of Iowans. I am sure there are a few exceptions as there are in any general statement. However, I am confident that these exceptions are few and far between. By far the majority of those Iowa students who do default on their student loans do so simply because they do not have the resources to pay off their loans, as much as they would like to. As administrators of this program, we dedicate considerable effort to collecting on our defaulted loans. We employ four professional collection agencies to assist us in this effort. Additionally, we have recently established with the cooperation of other Agencies in our State government a tax offset program as well as utilization of the Small Claims Court. We also have been very successful on our own in-house, that is Iowa College Aid Commission staff, effort at collecting from borrowers and establishing their repayment plans.

As a guarantor of the Guaranteed Student Loan Program, the success of our effort is directly related to the volume of our loan portfolio because it is this volume which provides us our only source of revenue. This revenue is in the form of the administrative cost allowance which is paid to us by the Department of Education at a rate of 1 percent of our loan volume, and the Guarantee Fee which we charge the student borrower for each loan. This Guarantee Fee, by the way, has been reduced in the last year and one-half from 1 percent to ¾ of 1 percent. If our loan volume decreases, these sources of revenue will also decrease and, consequently, our Reserve Fund will be weakened. It is absolutely mandatory that we keep our Reserve at as high a level of strength as possible in order that supporting lending institutions will feel confident in investing their money in the Guaranteed Student Loan Program. As Mr. Cunningham from the Iowa Student Loan Liquidity Corporation can verify, it is absolutely mandatory for the purposes of financing the secondary market that our Reserve Fund be strong.

We are concerned about President Reagan's administration's proposed budget for fiscal year 1986 and its impact on financial aid. I think most of us in Iowa realize that education will have to carry its share of budget cuts necessary to reduce the national deficit. But the original proposals from President Reagan would have been devastating to education. It was conservatively estimated that President Reagan's initial budget proposal, i.e., $32,500 family income limit and the $4,000 individual student mega cap, would have direct impact on approximately 25 percent of the stu-

dents now enrolled in college. That would have been devastating not only to the students' own personal development, but to the Nation as a whole and its need for educated citizens.

The Iowa Guaranteed Student Loan Program has been administered well and our Reserve Fund is very healthy. Even if, as proposed, the Administrative Cost Allowance is eliminated at a loss of $1.2 million annually and the Reinsurance rate is decreased from its present 100 percent, 90 percent, 80 percent levels to a proposed 90 percent, 70 percent, 50 percent, we feel we can carry on with the Guaranteed Student Loan Program if the reinsurance rates do not reach the 50 percent level. But we can only do this if our volume is maintained and students do not drop out of school because of lack of financial aid or lenders are not discouraged from participating because there is no incentive to do so. Lenders in the State of Iowa have been very supportive of the Guaranteed Student Loan Program. Many of them purely as a public service. The entire state has benefited from the Guaranteed Student Loan Program. The $115 million loan portfolio I mentioned earlier generates $12 million annually in new funds coming into the State through federal subsidies and Special Allowances. We in Iowa are greatly appreciative of the federal support and we are thankful for the opportunity to use this money for good purposes. This $12 million is turned over approximately 2½ times, generating a total new revenue source of approximately $30 million.

In conclusion, I would like to point out that the federally endorsed policy of State and national guarantors competing with one another is a waste of resources. As I have previously stated, all guarantors must rely on a high loan volume to insure a strong and healthy Reserve Fund to back up its program. Competing guarantors detract from that goal. It is also nearly impossible to take a hard and firm stand on either individual defaulters or institutions who have high default rates, be they lenders or schools. If I, as the State guarantor in Iowa, have a lender or school that I feel has excessive default rates and is not taking steps to correct that default rate, it does little good for me to take a hard stand by threatening termination. That institution will simply shift their program to a national guarantor. I think, in addition to undermining any effort to combat default rates, multiple guarantors in the same state lend confusion on the part of the student who has trouble enough keeping track of his/her loans and to whom he/she owes repayment. He/she must also now keep track of who guarantees the loans. This also contributes to the complexity of any attempt on the part of the student to consolidate his/her loans. I believe there is a role for national guarantors to provide support to States who do not have a designated State Guarantee Agency. On the other hand, I believe it to be most detrimental to have more than one guarantor working in the same State.

Mr. FORD. Thank you very much. Mr. Struve.

STATEMENT OF JAMES STRUVE, VICE PRESIDENT, RETAIL BANKING DIVISION, MERCHANTS NATIONAL BANK, CEDAR RAPIDS, IA

Mr. STRUVE. Thank you Chairman Ford, and Congressman Tauke. I also appreciate the opportunity to testify before this panel. I will try to keep my remarks very brief in the interest of time.

Merchants National Bank is a bank here in Cedar Rapids with $550 million in assets. We have granted an excess of $18 million in student loans; we would not have done that without the expertise of the two gentlemen to my left, The Iowa College Aid Commission has been a very critical part of that aspect, as has the Iowa Student Loan Liquidity Corporation.

We have just a couple of items that we'd like to make comment on, one being the megacap, there's been a lot of comment on that up to this point. We feel that the $8,000 annual megacap would be appropriate for the undergraduate students with some consideration given to a larger cap than that for the graduate students for obvious reasons, that being the additional expense of the graduate student.

As far as income caps on the family, we believe the needs test that's been utilized the last several years has been adequate and would recommend that that not be changed in any way shape or form.

The self-help expectation, that being the requirement that the individual student antiup $800 to assist with his expense, we feel is a very legitimate request, and we also have no major quarrel with the restrictions on the independent students that have been proposed, except for the fact that we are strong believers that there should be exemption for orphans and wards of the court.

The thing that's nearest and dearest to us as a bank is the GSL Program. We have several comments to make on that. No. 1, it should be remembered that financial institutions have a duty to their depositors to make loans that are both sound and profitable; No. 2, financial institutions do not make fixed rate loans. There's a proposed item in there to require that the loans be fixed for a long-period of time, with interest rate problems of the early 1980's, financial institutions have moved way from that long-term interest rate risk, and they're now requiring that everything be on a relatively short term or a fully variable rate basis. And of course right now student loans are fully variable.

We are strong believers that it should continue to be that way. No. 3, is that financial institutions are voluntary participants in the GSL Program, and I think that's important to remember. To assure that the financial institution continues to participate in the program as a student-loan lender, the program must be sufficiently attractive to warrant continued deployment of assets in the Guaranteed Student Loans.

We realize that some cuts must be made to reduce the cost of the program; we are compatible with the proposal to reduce the special allowance for loans by 25 basis points, with the addition that this would be done only for loans which were interim. Loans that are still on the repayment status would remain at the same subsidy, special allowance, I should say.

Financial institutions realize that they have a duty to their community to make student loans available. We at Merchant National Bank have every intention of remaining as a primary source of student loans, for Iowa students, and students attending Iowa schools.

However, like all private businesses, we must make a profit to remain in business, and we sincerely hope that the final outcome of reauthorization of the Higher Education Act does not make it unfeasible for us and other financial institutions to make Guaranteed Student Loans available to students in the future. Thank you very much.

[Letter from James Struve follows:]

MERCHANTS NATIONAL BANK,
Cedar Rapids, IA, April 12, 1985.

Subject: Comment on Reauthorization of the Higher Education Act.

Hon. WILLIAM D. FORD,
Chairman, Committee on Education and Labor, House of Representatives, Cannon House Office Building, Washington, DC.

Merchants National Bank is a $550 million bank that has granted in excess of $18.3 million in student loans. Merchants is one of the primary lenders in Iowa for student loans. (Iowa lenders are supportive of the student loan program.)

We respectfully comment on the following proposals:

1. *A Mega-Cap.*—We have seen proposals for both a $4,000 and $8,000 mega-cap on total Educational Department aid to any one student.

We favor an $8,000 mega-cap with the exception of graduate students. We feel there should be a higher limit for graduate students due to the increased cost at that level. We feel a mega-cap of less than $8,000 will greatly impair a student's right to attend the school of his choice. Not only would this limitation affect students, it would jeopardize the private colleges due to the limitation of students who would be able to afford to attend them.

2. *Income Caps.*—We have seen proposals for income caps on eligibility for educational department aid ranging from $25,000–$60,000. Especially for guaranteed student loan, we feel $25,000 is much too low. During these difficult economic times there are very few families in the $25,000 income range that can afford to pay for a student to attend college. Although we feel that liberalized consideration should be given to family size, we feel that the present "needs analysis" aspect should be continued.

3. *Self Help Expectation.*—The proposal for an expectation of $800 to be contributed for eligibility for educational aid is a sound idea. It is only hoped that some consideration would be given to low-income individuals.

4. *Restrictions on Independent Student Status.*—We feel this is a sound proposal and have no concerns about the proposal as long as the exemption for orphans and wards of the court remains a part of the proposal.

5. *Reducing and Restructuring GSL Subsidies.*—The proposals involved with the GSL subsidies are of major concern to all lenders. It is hoped the following will be considered in the final draft of the proposal.

Financial institutions have a duty to their depositors to make both sound and profitable loans.

Financial institutions do not make fixed rate loans for any extended term loan, due to long term interest rate risk exposure. It is necessary that rates on long term assets be variable according to market conditions.

Financial institutions are voluntary participants in the GSL program. To assure participation, the program must be sufficiently attractive to warrant continued deployment of assets into Guaranteed Student Loans.

We realize some cuts must be made to reduce the cost of the GSL program. We are compatible with the proposal to reduce the special allowance for loans by 25 basis points with the addition that this would only be done for loans which were in the interim status.

Financial institutions realize that they have a duty to their community to make student loans available. We have every intention of remaining as a primary source of student loans for Iowa students and students attending Iowa schools. However, like all private businesses, we must make a profit to remain in business. We sincerely hope that the final outcome of reauthorization of the higher education act does not make it unfeasible for financial institutions to make Guaranteed Student Loans available to students.

Respectfully submitted.

JAMES H. STRUVE,
Senior Vice President.

Mr. FORD. Thank you. In your item 4, restrictions, we feel that this is a sound proposal and have no concerns about the proposal as long as exemption for orphans— what proposal are you talking about?

Mr. STRUVE. As I understand it, there's a proposal that's been presented that talks about the ndependent student status.

Mr. FORD. Right, but there are now two of them that have come up.

Mr. STRUVE. The 21-year-old requirement.

Mr. FORD. 22-year-old.

Mr. STRUVE. 22?

Mr. FORD. And the other 1 is 3 years of demonstrated independence as shown by tax returns. You have any preference as between those?

Mr. STRUVE. I have no strong preference either way, so long as we take and make considerations for that orphan student or orphan of the court type of student.

Mr. FORD. What is the reason that you think we need to change the present determination of an independent student?

Mr. STRUVE. I'm a believer that the independent student situation at age 21 has some strong validity. I think there are some exceptions to that, as we've identified. But generally speaking, we believe that once a student has attained the age of 21, there is a certain amount of independence that should be assumed at that point.

Mr. FORD. Do you think we have a problem in Iowa with the present system?

Mr. STRUVE. I think there have been some abuses in the State of Iowa under the present system, that being some attempt to get around the requirements related to the independent student status, yes. I think there are some ways that we can deal with that by adopting the legislation that's been proposed.

Mr. FORD. But see, we've already talked about Mr. Cunningham's problem. In order to get at a couple of States, we have to inconvenience everybody including somebody who wants to operate straight. And now you're suggesting that there might be somebody out there whose abusing independent status, how many it might be, or just how they're doing it, but we ought to inconvenience everyone in order to make sure that we get 100 percent, catch them all.

Now is it worth the candle? In other words, is the trouble that that brings with it worth the size of the problem? How big do you perceive the problem to be in Iowa?

Mr. STRUVE. I don't disagree with the statement that we may be overreacting to the problem. You get back to the situation that's——

Mr. FORD. How do you think, give me an example of how you think the problem plays out? What happens?

Mr. STRUVE. I basically think what's happening is, that we have students that are trying to claim that they're independent through maneuvering with parental tax returns or their own tax returns, so on and so forth, to enable them to continue to obtain the guaranteed student loan support to enable them to continue in school, when in fact they would have the ability to find funds on their own otherwise.

Mr. FORD. I had never really thought of the problem being related to guaranteed student loans. Generally, we've heard about it with respect to grant aid.

Mr. STRUVE. And yet I don't think it should be misinterpreted that we think it's a widespread problem. That is, if the problem is there, basically I'm saying that we support the proposal.

Mr. FORD. Well, see, we don't know, or nobody's ever told us how widespread it might be. However, if we were to adopt a flat cap with no needs analysis, my guess is that it would certainly worsen very quickly because there would be an element of desperation, combined with something else. Although I was too young to experience it myself, I was told that prohibition didn't work because a substantial part of the population didn't really believe that it was all that bad to break the law.

And so criminals thrive. And you get the same sort of a situation here if these people feel that the cap is unfair, there's probably going to be more motivation. It was justified because you're cheating me this way and I'll get it back this way.

Mr. STRUVE. I think the same type of attitude exists when it comes to income taxes.

Mr. FORD. Well, I've become very conservative about these things. If it ain't broke, don't fix it is sounding better to me all the time, and I never know when we make one of these little changes, whether we make it worse than it was before or better than it was before.

And if you have any thoughts about a better way to define an independent student, you wouldn't like to go back to the days when we had the bankers examining the families incomes?

Mr. STRUVE. No.

Mr. FORD. That, incidentally, is in the compromise, 100 percent verification. We've been fighting that off for years. Bankers told us they'd get out of the program, or wouldn't come in the program, as long as they had to be policemen, looking at all that financial information. These things about making a system 100 percent failsafe are very good, but then you get bureaucratic requirements and a whole lot of nonsense and sometimes it's costs more to look clean, than it does to accept a little bit of slippage.

At the very conclusion of your statement, Mr. Shay, you say "I would like to point out that the federally endorsed policy of state and national guarantors competing with one another is a waste of resources."

When did we do that?

Mr. SHAY. When the Department of Education in 1983 took a position on a letter we sent to them requesting a decision as to whether a—one of our lending institutions could guarantee their loans with a national lender, the Department of Education ruled, yes, that we were not the sole guarantor for loans in the state of Iowa.

Mr. FORD. Well, we have never spoken on it by statute apparently.

Mr. SHAY. Not necessarily. It is strictly an interpretation of the Department of Education on existing legislation.

Mr. FORD. And did your lawyers believe that they could have gone either way with it?

Mr. SHAY. Yes, they do. They still do, yes, sir.

Mr. FORD. So, actually, our statute is silent on the matter?

I think I know how it stayed silent because we never expected anybody who was going to want to guarantee any place but in their own State.

Mr. SHAY. That is correct.

Mr. FORD. We call these people "national" but they are not national in the sense of being Federal in any way?

Mr. SHAY. No, sir.

They are private, not-for-profit organizations.

Mr. FORD. And how big is this phenomena in your State?

Mr. SHAY. It is very big. Our largest lender is Hawkeye Bank Corp., but they only give us 20 percent of their loans; and yet they

are still our largest lender. The others, 80 percent is guaranteed through a national guarantor.

Mr. FORD. What do they get from them that they cannot get from you?

Mr. SHAY. Well Mr. Chairman, there is a little background that goes with this. I am not sure that you want to take the time.

There was a confrontation between the Iowa College Aid Commission and Hawkeye Bank Corp. in 1981-83, and so they——

Mr. FORD. The short part of it is that it does not have to do with them being—your competitor being able to give more interest or more earnings or better services. It has to do with some difficulty he has with an agency.

Mr. SHAY. That is correct.

In fact, we give better service.

Mr. FORD. Pardon?

Mr. SHAY. In fact, we give better service, in my opinion.

Mr. FORD. Are they the only ones you are having trouble with?

Mr. SHAY. Yes, sir, the only guarantor? Yes, sir.

Mr. FORD. No, the only——

Mr. SHAY. The only bank?

Mr. FORD. The only lender in the State that——

Mr. SHAY. There are a few smaller banks, other banks with small portfolios that I think are using HEAF—excuse me, are using these other guarantors, not extensively, and it is—to answer your question, they are the only ones that we have a problem with, yes.

Mr. TAUKE. If I may interject, who is this other guarantor?

Mr. SHAY. It is called the Higher Education Assistance Foundation. I think they guarantee in about eight States.

Mr. TAUKE. It's a Minnesota-based operation.

And they guarantee in how many States?

Mr. SHAY. I believe it is eight.

Mr. FORD. But not very much.

Mr. SHAY. Oh, yes, sir, they are——

Mr. FORD. Oh, they have eight States where they are the guarantor?

Mr. SHAY. Either are the guarantor, or provide a guarantee function.

Mr. FORD. Parallel to the State guarantee?

Mr. SHAY. Yes.

I know in Kentucky they operate parallel—there are, I think, probably four or five States that they are the sole guarantor.

And, as I said, I think there is a role for a national guarantor, but I just think it is counterproductive, and——

Mr. FORD. They are not national; they are some local fellows who got good at what they are doing and sold a lot of people.

Mr. SHAY. Yes, sir.

Mr. FORD. When I first saw the reference to "national," I was wondering if "Sallie Mae" was involved in some way, because that is the only one we ever established and really is not there as a guarantor at all.

But I think I understand what you are talking about now. It is something that is sort of growing because it was a new business and nobody has ever bothered with it. I think this is the first time

that I have heard anyone complain about this question of competitiveness.

Mr. SHAY. As I have stated, I am not attempting to undermine our opposition or competition, because I think there is a role for them in this country, but I think it is counterproductive and very inefficient to try to do that function—two different agencies trying to do that function in the same State.

Primarily because of the importance of a high loan volume, as a source of revenue in which to operate and provide that guarantee. And when you split that volume, then you weaken the whole program.

Mr. FORD. Would the multi-State guarantor argue with us that by being available as competition they make you more efficient?

Mr. SHAY. I am sure they would. And to a certain extent, that is true.

We are doing things now to compete that we probably—we may not have been doing. I think it is hard to second guess, but certainly we feel that some of the steps we have taken we feel are definite steps toward benefiting the students and the institutions involved, and also happen to be an edge on our competition.

Mr. FORD. Thank you very much.

Mr. Tauke.

Mr. TAUKE. Thank you, Mr. Chairman.

First of all, I want to thank all the members of the panel. You have had a long morning waiting to testify, and we are sorry that we are running late, and we appreciate your patience; and we are grateful for it.

In one of the previous panels, the suggestion was made that the IRS should be the collection agency for loans; and, although Iowa has a good track record on collection, we have had ongoing discussions about the default rates, and the colleges not wanting to be in the collection and so on.

Do you have any observations that you would care to share about collection policies today, first of all?

And, second, about the advisability of having the IRS involved in collection?

Mr. SHAY. I will be glad to start off.

I do not feel that in the State of Iowa that our collection efforts—I should not say "collection effort"—but our collection problem is worthy of any major concern because as I have already stated that by far the majority, and I am talking about probably 90 percent of the people who defaulted on their loan or are hesitant about paying them are doing so merely because they do not have a job and cannot pay for them.

If they had a job and a source of job, they would be very willing and anxious to pay that loan off. So, we have an advantage there that from that aspect it is not a problem as long as they have a source of income.

I feel very comfortable with the way we go about collecting our student loans, the whole program, the Guaranteed Student Loan Program addresses procedures for collecting loans as an established due diligence process that has to be carried out.

All the people in Iowa involved, that is the three sectors—we as a guarantor, the lenders and the schools—all recognize and share

in the responsibility for ensuring those loans are fulfilled—that is, repayment; and I do not see that—I do not believe IRS could do any better than we are already doing.

Mr. TAUKE. Mr. Struve. Do you have any observations?

Mr. STRUVE. I do not disagree with what Jim says about the effectiveness of the collection effort in the State of Iowa. I think both the commission and the Secondary Market Corporation have done an exceptional job as far as followup and what-not on the collection activities.

I am also of the impression that the lenders have done a very strong job as far as opening the student loans in the first place.

I think there are collection activities that can occur in all different focal points including the time the student loan was made.

Nevertheless, I do not know that I would agree with the statement that the IRS collection mechanism might not help make things a little bit more smooth as far as ultimate collection success is concerned, so I think I would support that.

Mr. TAUKE. What is your default rate, did you say?

Mr. STRUVE. The default rate with the State is about 5.5 percent.

Mr. TAUKE. You sell all yours to the State.

Mr. STRUVE. I sell all mine to the Student Loan Liquidity Corporation. In the last report, I am trying to recall from memory, it seems like the default rate of Merchant's National Bank on loan that were housed at the Secondary Market Corporation was about 2 percent.

Mr. TAUKE. Yes.

Mr. Cunningham, do you have any observations?

Mr. CUNNINGHAM. Yes, sir.

In answer, I think that the numbers within this State, and the diligence exhibited by the lenders involved in the program show that there is a substantial and very effective collection effort in the State of Iowa, with the exception, of perhaps the ability for a tax offset of a national level against income tax refunds. I do not believe that the IRS could bring any major support to the State.

Mr. TAUKE. Do you have concern about another issue that was raised, and that is students coming out of their educational career, if you will, with the excessive loans; and therefore being inclined to move into bankruptcy or perhaps being unable at some future time to be able to repay those loans?

Obviously, as the cost of education goes up, it can potentially become a bigger problem.

Mr. SHAY. Here, again, Representative Tauke, that does exist even here in Iowa——

Mr. TAUKE. If I may interrupt, do you have any figures on bankruptcy of students with you?

Mr. SHAY. No, but I can get them for you, and I will be glad to share them with you. We have that information. I just do not recall it at this time. It is very small. I am guessing probably less than 1 percent. I will be glad to get that material and send it to you.

But, as you know already, I am sure, the fact that they go into bankruptcy itself does not excuse them from their guaranteed student loan. There has to be a separate ruling by the Court to do that.

Mr. TAUKE. Yes.

Mr. SHAY. So, we have not really experienced a great outlay of our reserve fund in order to pay off bankruptcy cases.

Mr. TAUKE. Do you have concern about the large figures that some students may be owing when they come out of school?

Mr. SHAY. Yes, indeed. Yes.

And that is a very difficult problem.

Mr. TAUKE. Is there something that we should be concerned enough about that we make some changes in the law?

Mr. SHAY. I cannot make that suggestion now, because I would not know what you should do.

We are looking at it ourselves inhouse. In fact, there are several national organizations which are also studying this problem, the National Council for Higher Education Loan Program; the National Association of Financial Aid Administrators—both have groups that are studying this problem and trying to come up with a matrix or a chart that we can provide students, saying, if this is what your planned career pattern is going to look like, this is what kind of a loan debt you should incur and still be able to pay it off in a reasonable amount of time.

Some approach like that, but we feel that we have a responsibility to provide some education to the student borrower on what he is able to borrow reasonably.

Mr. TAUKE. Do either of you have other additional comments?

Mr. STRUVE. I too would have concerns about that, and not all knowing what the answer might be as to its solution, but it is of concern, something that we should be concerned about, but unfortunately, I cannot add any more light to that situation.

Mr. CUNNINGHAM. In our portfolio, sir, the history of our defaulters reflect exactly the opposite.

Granted our corporation is relative young. However, most of our defaulters are individuals who have obtained less than two loans, have a substantially lower balance, and would lead us to believe that they are individuals to whom Mr. Shay has addressed, and that they are unable to get a substantial enough position because of the lack of their education or their dropout, unable to get a position that would enable them to support the debt.

At least, in our current portfolio, and historically, the students with the larger debts are paying, as are the vast majority of our students.

At a meeting yesterday in Chicago, the National Council of Higher Education Loan Programs addressed this issue, and we will be coming forward with the proposal to the subcommittee concerning lengthening the repayment period for students with larger than normal debts.

Coupled with this, however, is the provision that for taking advantage of this longer debt-service period that the individual would assume a larger share of the interest subsidy or special allowance on that extended period.

Mr. TAUKE. Gentlemen, thank you.

Mr. CUNNINGHAM. Yes, sir.

Mr. TAUKE. Thank you, Mr. Chairman.

Mr. FORD. The twin problems of the excessive size of the borrowing, and then the question of how much you have to make available so that school is possible presents us with a terrible choice. We

can pull back on how much money is available through the loans at the same time we recognize that students are involved in more and more, not because they want to incur bigger debts, but because it takes more borrowing to offset the increased cost.

Or we can say, well, we are going to protect you from that—get out of school; and we lose either way. And there is a question of which way has the least permanent damage.

I suspect that dealing psychologically the great advantage that they have when they took us in the service young is that you are so optimistic that everybody else is getting it, not you, and it is pretty hard to focus when you are busy getting a college education on the reality of what that big debt is going to be out there.

I would hope that, Mr. Struve, you could ask your bankers association to do one little piece of research for us.

What would you say in consumer banking most closely equates to the characteristics of a guaranteed student loan?

In other words, this is an unsecured loan from the standpoint of the borrower. They do not put up any collateral—you cannot go take the car back.

What is the performance rate for nonguaranteed loans with the banks across the state compared with this type of loan?

Mr. STRUVE. I am not sure if you want an answer now or——

Mr. FORD. No, but is there a way in which you can ask your people and give us an answer?

Mr. STRUVE. I think that we are going to find that there is no precise comparison, but——

Mr. FORD. And then, there is a second aspect that you gentlemen have touched on—and that is that never when anybody is talking about the default rate do they get away from the stereotype that we frequently see in magazine articles of the Ph.D., who says, "The hell with it; I got a Ph.D., but I can't make enough money, so I am not going to pay my loan."

Now, we have all had the experience—most of us, when we were young—of buying something and hoping, wishing that we could take the bad used car back and give it to the bank; and the bank says, "It is not my problem; we loaned you the money to get the car and if it didn't work that's your problem, and you deal with somebody else."

We sort of do the same thing with the students. I have not seen a breakdown on default rates, on how many of those in default, Mr. Cunningham just touched it—how many of them are dropouts? And how many of them have successfully completed their education?

We treat them as if they were all the same, and presumably there is some lack of motivation on the part of somebody who dropped out to pay for something that they don't think they are going to complete or use.

That would be different than the person who did, in fact, get the education.

Now, I don't recall that I have ever seen anybody try to make a distinction between those loans that are due because the student left school without completion and those loans that are due from the student who graduated.

Is there any way that you can tell from your figures what the proportions are?

Mr. CUNNINGHAM. In an analysis that we did last year, year-end for our board of directors, Congressman, we found very few degreed individuals on the defaulted list.

Interestingly enough, we did find one Ph.D., but the vast, vast majority——

Mr. FORD. Could you share that with us?

Mr. CUNNINGHAM. Yes, sir.

Mr. FORD. Because I am sure that I am reasonably accurate when I say that the overwhelming majority of people who casually discuss the default rate think that we have bought a very complete education for somebody, and they are just bums, and they will not pay for it.

And that angers us, justifiably. Americans do not like that sort of thing; and it looks to me like if we could get others in other states, too, we might learn something rather valuable about just what the potential defaulter is.

And something valuable about collection, that you have to use different kinds of collection techniques with one than with the other.

Mr. CUNNINGHAM. We will be glad to pull those figures and supply them to your and Congressman Tauke's office, sir.

Mr. FORD. Thank you very much.

And I want to thank everyone who has appeared here today, and to particularly thank Congressman Tauke for giving us one of the best combinations of panels that I have seen in a long, long while. This is a good way in the early stages of this to lay it out with publics, privates, students, and the financiers all in juxtaposition here, so that it presents a pretty good capsule of what we have to deal with.

And you have been very helpful to us; and we will be sharing this with our colleagues and hope that your words have been persuasive.

Mr. CUNNINGHAM. Thank you, sir.

Mr. SHAY. Thank you.

Mr. STRUVE. Thank you.

Mr. FORD. Thank you, Tom.

Mr. TAUKE. Thank you.

[Whereupon, at 1:12 p.m., the hearing was adjourned.]

[Material submitted for inclusion in the record follows:]

IOWA COLLEGE AID COMMISSION,
Des Moines, IA, April 18, 1985.

Hon. TOM TAUKE,
House of Representatives,
Washington, DC.

DEAR CONGRESSMAN TAUKE: Again I would like to thank you for the opportunity to present our opinions and concerns regarding federal support for postsecondary education and, more specifically, the financial aid as part of the postsecondary education program.

As you recall, at the public hearing in Cedar Rapids on April 12, 1985, you had asked me for data which I was unable to provide you at the time. I am now forwarding the information you requested and hope you will find it useful. The breakdown of defaulters based on whether they completed their original educational goal or did not complete it, is based on a sampling of 183 claims paid in the last 30 days. I have had to work with samples because we are not sophisticated enough in our automa-

tion to be able to extract this information from our data base, but I think the sampling does give a close approximation of the actual situation. That sampling showed that of the 1983 default claims paid, 52 had completed their educational program. Or, in other words, 71.6 percent of the defaults are attributable to borrowers who did not complete their educational program.

The other information I owe you is on the percent of bankruptcy cases to our total number of defaulters. I am including a paper that we submitted to our Commissioners in the April meeting which has a breakdown of our defaults, including bankruptcies and deaths. The number of bankruptcies is a little higher than I had anticipated and they compute to be 4.4 percent of our overall default rate.

I hope this provides you the information you need. If I may be of further service, please contact me.

Again, thank you for giving us the opportunity to discuss these matters with you and Congressman Ford.

Sincerely,

JAMES E. SHAY, *Executive Director.*

Enclosures.

IOWA GUARANTEED STUDENT LOAN PROGRAM—SUMMARY OF CLAIMS PAID MAR. 31, 1985

Date	Matured paper [1] (dollars)	Death/Disability		Default		Bankruptcy		Total claims paid		Net recoveries (dollars)	Claim rate (percent)
		Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars		
Total fiscal year 1979	0	0	0	0	0	0	0	0	0	0	0
Total fiscal year 1980	590,555	8	13,169	0	0	1	808	9	13,977	0	0
Total fiscal year 1981	7,975,049	23	49,947	41	57,827	8	16,619	72	124,393	40	0.68
Total fiscal year 1982	22,440,928	51	121,510	487	939,849	48	121,186	586	1,182,545	12,020	3.21
Total fiscal year 1983	60,135,118	79	218,897	1,122	2,577,640	60	182,637	1,261	2,979,174	88,942	3.92
Fiscal year 1984:											
July to September 1983	17,112,762	21	61,099	562	1,467,625	14	31,895	597	1,560,619	41,664	4.66
October to December 1983	20,146,896	26	74,362	503	1,342,790	22	62,448	551	1,479,600	82,647	4.97
January to March 1984	38,172,010	15	40,891	576	1,522,420	18	37,737	609	1,601,048	88,333	4.75
April to June 1984	6,434,742	18	57,735	670	1,912,651	37	143,812	725	2,114,198	122,229	5.22
Total fiscal year 1984	97,135,090	80	234,087	2,311	6,245,486	91	275,892	2,482	67,755,465	334,873	5.22
Fiscal year 1985:											
July to September 1984	12,780,413	14	48,601	512	1,404,220	14	34,098	540	1,486,919	127,501	5.58
October to December 1984	19,782,816	34	114,608	688	1,961,674	44	126,577	766	2,202,859	128,820	5.97
January 1985	14,572,160	4	7,405	172	513,488	2	5,896	178	526,789	35,597	5.82
February 1985	5,799,126	4	25,321	207	566,772	5	10,100	216	602,193	56,197	5.91
March 1985	([2])	3	2,259	159	461,407	5	12,537	167	476,203	44,665	.....
Total fiscal year 1985	([2])	59	198,194	1,738	4,907,561	70	189,208	1,867	5,294,963	392,780	([2])
Cumulative since May 1979	241,211,255	300	835,804	5,699	14,728,363	278	786,350	6,277	16,350,517	828,655	([2])

[1] Cumulative Defaults.
[2] Not available.

IOWA STUDENT LOAN LIQUIDITY CORP.,
Des Moines, IA, April 19, 1985.

Congressman TOM TAUKE,
Rayburn House Office Building,
Washington, DC.

DEAR CONGRESSMAN TAUKE: In response to your and Congressman Ford's questions in Cedar Rapids last week. I have provided a recap of defaulted loans for our fiscal year 1984 (July 1, 1983–June 30, 1984). If you have any questions concerning the attached report, please do not hesitate to call me.

We are in the process of deriving comparable information for the first half of our 85 fiscal year. When this information is available, I will foward it to you.

Thank you for the continuing support of our program.

Sincerely yours,

EDWARD J. CUNNINGHAM,
Executive Director.

Enclosure.

ISLLC 1984 DEFAULT RECAP

	Number	Amount	Average Balance
Bankruptcies	21	$87,812.08	4,182
Death/Disability	6	10,030.66	1,671
Defaults	158	429,296.76	2,717

Age when defaulted:

0 to 20 (2%)	3
21 to 25 (42%)	77
26 to 30 (36%)	66
31 to 40 (18%)	34
to 40 plus (2%)	5

RESIDENCE

With 22 States represented; at time of default, 103 (56%) had Iowa addresses; followed by IL and SD with 10; FL–6; CA, MO, and TX–5.

AGING

Average default occurred 42 months after origination. The oldest loan dated back to 1972 and the youngest loan, 1982.

PROGRAM COMPLETION

This status is derived from information in our files. Generally, there is no positive proof of the receipt of a degree or completion of the program. Our presumptions are based on significant changes in the anticipated graduation date.

PRESUMED PROGRAM COMPLETION

Degree	Number	Amount	Average balance
Post graduate	3	$20,255	6,752
4-Year	37	129,930	3,512
2-Year	36	95,621	2,656
Program	17	62,793	3,694
Withdrew	65	148,483	2,284

NORTHEAST IOWA TECHNICAL INSTITUTE,
Peosta, IA, April 18, 1985.

Representative TOM TAUKE,
Rayburn House Office Building
Washington, DC.

DEAR REPRESENTATIVE TAUKE: Thank you for your recent request for written testimony to be inserted into the official hearing record on student financial aid.

I believe it to be the duty and obligation for all of us who are responsible for certain welfares of the people, of which education is a part, to institute and then administer, in a clear and concise manner, a program of student financial assistance that will assure the people as well as the country of an access system which is fair and equitable to all.

We must not allow a financial aid system to develop that favors a segment such as low income students and bypasses, for example, the middle class. This country is slowly losing its broad based middle class system which is its heartbeat. Student financial aid can help us to strengthen the cross sectional nature of our society by measuring financial need on an equitable basis and then helping to meet this need through financial aid. We must remember that it is the support derived from the middle class that drives our economy since the rich pay very little in taxes and the poor can't. The comments which follow are additional thoughts for changes which I feel need to be implemented in the reauthorization process.

One of my strongest desires for change in the reauthorization process is the refining of the needs analysis system to determine eligibility for financial aid. I would like to see one needs analysis methodology for all forms of federal aid, and possibly state aid, in order to eliminate the misunderstanding caused by "Why wasn't I eligible for the Pell Grant but I'm eligible for an SEOG/NDSL/and/or CWSP?" It is very hard to explain to students the numerous eligibility requirements which result in access to one program and not another based upon standard financial data submitted by the applicant.

I also have strong feelings about the administration of the Pell Grant program. It appears to me that it should closely parallel the campus based aid programs to provide greater consistency in meaning to applicants and to the financial aid office. There is no reason for the Department of Education to be so heavily involved in the administration of Pell Grants. The following changes could serve to meet this goal.

1. The Pell Grant Student Aid Index (or family contribution calculation) needs to correspond with the uniform methodology calculations as a consistency factor for eligibility determination (as previously noted).

2. The Pell Grant application processing should be incorporated into the CSS/ACT, etc. needs analysis services. These agencies already inform us of student eligibility/noneligibility and can very easily assume this processing role. There is absolutely no good reason(s) for the government spending millions of dollars for a central processor to do the same thing.

3. The remaining administrative procedures of awarding and accounting for funds would be handled the same as campus based aid.

4. Congress would review and set the amounts of the Pell Grant awards each year.

I like the idea of the Campus Based Block Grant Program primarily because it preserves "local control" for the school and financial aid director. This type of program seems to lend itself to greater flexibility in meeting the needs of students when we determine the amount of aid going to grants and work-study from a single award made to the school. I think further consideration should even be given to having a Block Loan/Grant Program. Financial aid awards, except work-study, would be made as a loan and the payback provisions would state, for example, that two dollars would be given for each three dollars owed on the loan. This would create a grant program at the time of repayment and provide a real incentive for payback. Defaults would be at a minimum and those that did occur would be handled at full face value plus interest as they are now.

I feel that every student on financial aid needs a financial obligation (loan) to maintain interest and concern for succeeding in a program of education. This includes low income students. Nobody needs to have their entire education paid by grants. It's just not good business.

Lastly, program funding must support the educational effort needed by this country to regain and retain the forefront of the freeworld democracy. It seems as though we take education for granted until there is an emergency (i.e. Sputnik), and

then go for broke to catch up. Let's stay ahead by making the investment in education that is needed in order to secure the future both now and forever more.

Sincerely,

JOHN W. CARVER,
Coordinator Financial Aid.

MOUNT ST. CLARE COLLEGE,
Clinton, IA, April 18, 1985.

Representative TOM TAUKE,
Member of Congress,
Rayburn House Office Building, Washington, DC.

DEAR TOM: Thank you for the opportunity to submit written testimony to the Postsecondary Education Subcommittee regarding student financial aid.

Mount St. Clare College responds to the needs of nearly four hundred students from Iowa, Illinois, neighboring states and foreign countries. These students desire the quality education and academic environment of a private, liberal arts college. In many cases, they and their families make considerable sacrifice to attain educational goals.

Financial aid is of utmost importance. Between 1982 and 1983, the average financial need of our students grew by over 14 percent, exceeding that which could reasonably be attributed to the rising cost of education. The total number of students receiving need-based aid grew by 29 percent, while total enrollment between 1982 and 1983 increased by only 5 percent. Data for the 1984-85 academic year indicate a continuation this trend.

These students are relying more and more on all forms of aid to help them bridge the gap between the cost of attending college and the families ability to pay. It is our experience that even though the Pell grant program (and other gift aid) is still most attractive to students, more and more are depending upon the self-help programs like College Work-Study, the National Direct Student Loan, and the Guaranteed Student Loan. Dollar-volume utilization of these programs increased in the following manner: NDSL +39 percent; GSL +19 percent; and, CW-S +17 percent (within the two-year period referred to earlier). In addition, to augment the dwindling supply of federal gift aid, Mount St. Clare College increased grants and scholarships by 37 percent (over $25,000) during the same period.

The College Work-Study program is of particular concern to Mount St. Clare College, due to the fund allocation formulas utilized by the Department of Education. While the original intent of the program was to provide eighty percent federal and twenty percent college funding, the current levels here are nearly opposite.

1982: Federal (28%)—$14,978.
MSCC (72%)—$38,954.
1983: Federal (31%)—$17,232.
MSCC (69%)—$38,909.

An examination of funding formulas seems appropriate, in order to more adequately fulfill the original intent of this program.

In conclusion, we are committed to our role as a private, liberal arts college, and will endeavor to meet the needs of our students in the most cost-effective manner possible. We will continue to respond to the increased need of our students through the Mount St. Clare College scholarship/grant program and our financial support of on-campus employment. We strongly encourage the federal government to continue those federal programs which enable students to attend the college of their choice, specifically, the Pell grant program, NDSL, GSL and CW-S self-help programs. A lessening of the commitment to the original intent of these aid programs would be detrimental to the needs of students and the educational diversity of our population which is a strength for our economy and our nation. Continued emphasis on an effective needs assessment system can work to eliminate abuse of aid programs. As a college, we commit the support of our Financial Aid Office to assist in eliminating misuse and misallocation of aid funds, and to work for the equitable distribution of aid among students.

Thank you again for the opportunity to submit these remarks. I stand ready to supply additional data if requested.

Sincerely,

BRENDA J. BLANCHARD,
Director of Enrollment Planning.

UNITED STUDENTS OF IOWA,
Des Moines, IA, March 21, 1985.

IMPACT OF FEDERAL BUDGET CUTS IN IOWA COLLEGE STUDENTS

United Students of Iowa has surveyed both public and private colleges in Iowa to determine the impact of proposed cuts in the 1986 Education Department budget. The proposed budget would result in a 25% reduction from current funding levels, and would impose strict eligibility guidelines for some aid programs.

President Reagan's budget proposal covers all student aid programs, including: Pell Grants, Supplemental Educational Opportunity Grants, College Work-Study Program, National Direct Student Loans, State Student Incentive Grants, and Guaranteed Student Loans.

To create a clear picture of how the proposals will affect students, United Students of Iowa did a survey to determine what the result of new eligibility guidelines and new limits of total federal aid would be on Iowa's students.

The new eligibility guidelines would deny Guaranteed Student Loans to students who have an adjusted gross family income of over $32,500. The limit on total federal aid would put a cap of $4,000 of all federal students aid a student could receive each year.

Two surveys were done by USI. The first was a survey mailed to 32 private colleges and universities in Iowa requesting the number of students who would be affected by these two proposals.

A second phone survey was done of the financial aid offices at the three Regent universities. The results from the individual schools can be found at the end of this report.

SUMMARY OF RESULTS

Twenty schools responded to the mail survey, with 17 of them providing information in a usable form for our sample base. The results from the sample indicate that of the 8,726 students who currently receive a Guaranteed Student Loan, 2,088 of these students would be ineligible under the Reagan Administration proposal. Using the survey sample, a projection was made of the impact on all 36,879 private college students. A total of 4,760 students would lose their eligibility for a Guaranteed Student Loan based on the projection. With $2,300 as the average size of a Guaranteed Student Loan ($2,300 is the average size loan processed by Hawkeye Bancorp.), this would result in a loss of $10,949,463 in Guaranteed Student Loans.

The three Regent universities provided data in different forms. The Iowa State University Financial Aid office provided a computer projection of the impact of the two proposals based on current student population. The University of Iowa provided a range of numbers of students to be possibly affected. The University of Northern Iowa provided a range of percentages of students to be affected. The Iowa State office provided the most accurate and usable numbers, so projections were made for all three universities based on data from that office.

The data provided by the three universities is as follows:

Iowa State University projected 2,137 students would lose their eligibility for a Guaranteed Student Loan our of 8,870 students who currently receive a loan (24.09%); the University of Northern Iowa projected that 25–30% of students receiving Guaranteed Student Loans would lose eligibility out of the 6000 students currently receiving loans; and the University of Iowa projected that between 2230 and 2787 students would lose their eligibility out of the 11,150 students currently receiving Guaranteed Student Loans.

Using the Iowa State University projection of 24.09% of those students currently receiving a loan, losing their eligibility, the projected number of students at the three Iowa Regent universities who would lose Guarnteed Student Loan eligibility is 6,268. This translates into a total dollar value of the loans at $14,416,400. This is based on 26,020 students currently receiving a loan and on the average size of the loan at $2,300.

The number of students to be affected by the proposed limit of $4,000 of federal student aid each year in Iowa's private schools is projected to be 9,835. This was projected from the survey sample of 4,314 students out of a total sample population of 16,175.

The number of students at the three Regent universities to be affected by the $4,000 cap is projected to be 6,517 students.

The $4,000 limit in federal aid will have a different dollar impact on different students.

Additional budget cuts will result in additional lost financial aid for Iowa's students. An example is the cuts in the Pell Grant program which could result in a $6,000,000 loss for the three Regent universities. Additional studies and projections are being done by some of the Financial Aid offices at Iowa's colleges and universities.

The following chart shows the information from the individual schools:

IMPACT OF FEDERAL BUDGET CUTS

	Number of Students to lose GSL	Number to be affected by $4,000 cap	Number receiving GLS's now
Briar Cliff	91	251	485
Buena Vista	104	457	765
Central College	221	404	905
Clarke College (percent)	21		
Coe	77	198	423
Cornell	182	277	706
Dordt	130	618	592
Faith Baptist Bible	22	28	134
Loras	394	300	950
Marycrest	100	125	364
Morningside	52	256	620
Mount Mercy	92	173	450
Northwestern	93	203	502
Palmer Chiropractic	+300	+1,000	+1,534
St. Ambrose (percent)	50	65	530
Simpson	199	142	600
Vennard	4	11	81
Wartburg	203	294	560
Westmar	76	354	269
William Penn	48	223	320
University of Iowa	2,230–2,787	2,853–3,000	11,150
University of Northern Iowa (percent)	25–30	15–20	6,000
Iowa State University	2,137	2,532	8,870

Note.—Each school projected their own numbers, so methods may differ and numbers may differ from school to school.

If the reader has any questions, please call Steve deProsse at the United Students of Iowa office at 515–283–0122.

UPPER IOWA UNIVERSITY,
Fayette, IA, April 16, 1985.

Hon. TOM TAUKE,
Rayburn House Office Building,
Washington, DC.

DEAR REPRESENTATIVE TAUKE: Thank you for giving me the opportunity to submit written testimony to be inserted into the official hearing record concerning the reauthorization of the Higher Education Act, especially as it applies to federal student aid programs.

The question has been asked, "Why should taxpayers subsidize students at high-priced independent colleges and universities when it costs less for them to attend the lower-priced public colleges and universities?" This statement is indeed untrue. In fact, it could be argued that if federal aid is reduced for students, there will be a shifting of students to the public sector of higher education. This will cause more of a taxpayer drain, because as these institutions get more students they will need more money for additional programs, buildings, etc.

If you were to take a state like Iowa, which has a state-supported tuition grant program to allow students to attend independent colleges in this state, you will notice that it is one of the best bargains the state of Iowa gets in return for its investment. It is estimated that if those independent students utilizing the Iowa Tuition Grant were to go to the public sector, it would increase the amount of money needed to support those public institutions by at least five- to sixfold. Indeed, the subsidizing of students is a bargain, economically.

As far as Upper Iowa University is concerned, approximately 17% of our operating budget goes to subsidize student tuition and fees—and we are currently operating with a deficit. Approximately 90% of our students receive some form of financial aid; 67% receive federal financial aid, and 33% receive Pell grants. If independent colleges are going to continue the rich tradition of the past, so that Upper Iowa University can graduate, in the future, such people as David Henderson, the first United States Speaker of the House of Representatives west of the Mississippi, then the continuance of federal financial aid to students is imperative.

Sincerely,

JAMES ROCHELEAU,
President, Upper Iowa University.

LORAS COLLEGE,
Dubuque, IA, April 15, 1985.

Hon. TOM TAUKE,
Rayburn House Office Building,
Washington, DC.

Dear Tom: I am very concerned by the threatened financial aid cuts. The proposed cuts, if passed, would seriously decrease our enrollment. Some thirty percent of our Guaranteed Student Loan borrowers would be denied loans from 1986–87. Many parents call now thinking proposed cuts are for the fall of 1985–86.

Many of our students come from small towns and/or from rural areas. Most of these students do not merit summer jobs at all. Our needs analyses inject in an estimated $700–$900 for estimated summer savings. In most cases, the funds are not available creating greater financial need.

There are many students who might not be in college if there existed a better job market. There are few or no jobs for students so they plan to attend college. More student aid funds are needed for a larger enrollment of needy students. At a time when many students seek additional aid, the President does just the opposite—decreases or eliminates aid programs.

I attended a meeting of United Student Aid Funds in 1961. Student loans were very new. Mr. Bill Ronan, President of Decorah State Bank, said at this meeting, "when our bank grants a student loan, I like to think we're buying a share of America." Mr. Ronan's quotation is still very true today.

In reality federal aid funds used by needy students are an investment in the future of our Government. Most of this aid will be paid back several times over by the usually higher federal income taxes paid by the student when he or she obtains a full-time job after college.

I urge your serious consideration of this serious problem which threatens the lives of our young students and the plight of Iowa's private colleges.

Sincerely,

CHARLES D. MCCORMICK,
Director of Financial Aid.

DECORAH, IA, *April 16, 1985.*

Hon. THOMAS TAUKE,
House of Representatives, Rayburn House Building, Washington, DC.

DEAR CONGRESSMAN TAUKE: The impact of restructured federal student aid programs is of great concern on Iowa college campuses this spring. Recently I was asked by our faculty council and department heads to summarize the impact at Luther if some or all of the proposed funding reductions are enacted for F.Y. 86. I thought you might be interested in this report as a sample of the potential impact of the reductions at Luther.

Thank you for your interest in Luther and in our 1,100+ students from Iowa.

Sincerely,

DAVID ROSLIEN, PH.D.,
Dean of Admissions & Financial Aid.

Enclosure.

MARCH 12, 1985.

To: Faculty Council and Department Heads
From: David Roslien
Re: Report on the impact at Luther if federal student aid programs are restructured.

1. Overview—"The Administration is proposing a major philosophical shift in Federal student aid: a return to the traditional emphasis on parent and student responsibility for financing college costs and the elimination of aid to students from higher income families" (Dept. of Education).

It is unlikely the aid cuts outlined below will be approved. What compromise funding will emerge is unknown. We expect some reduction in enrollment, even if the funding is only slightly reduced, because families perceive funds are going to be cut.

2. Total budget for higher education will be reduced 25 percent in F.Y. 86 compared to F.Y. 85 (reduction of $2.3 billion).

3. $2.2 billion of the $2.3 billion budget cut comes from student aid. About 2 million students would lose eligibility for federal grants and loans; all aid eligible students would receive aid reductions. If this happens, a considerable shift of students from private to public institutions will take place starting in fall 1985.

4. Guaranteed Student Loans (GSL). A $32,500 family adjusted gross income cap on eligibility for the GSL. The cap is an arbitrary number based on 130 percent of national median income. Between 30 and 36 percent of current GSL recipients will be eliminated from the program. A second GSL proposal would cut the special 3.5 percent allowance paid to lenders. If this subsidy is reduced, major banks threaten to withdraw from the GSL program. Iowa's major lender, Merchants National Bank, will withdraw from the GSL program.

At Luther: 355 current GSL recipients will be eliminated from the program. 550 students have maximum ($2,500) GSL's this year.

We have 1,462 aid recipients in our government aid programs and 599 come from families with adjusted gross incomes of more than $32,500.

5. Eliminate the following programs:

LUTHER COLLEGE

Program	1983–84 recipients	Total dollars
Supplemental Ed. Opportunity Grants (SEOG)	456	336,231
National Direct Student Loan (NDSL)	751	588,929
State Student Incentive Grant (SSIG)	±580	350,000
Total		1,275,160

6. A $25,000 family adjusted gross income cap on eligibility for Pell Grants and College Work Study (CWS). (This cap would also apply for SEOG and NDSL if programs cannot be eliminated.) Middle-income students would be eliminated from Pell, CWS, NDSL and SEOG.

At Luther: 273 NDSL, 178 SEOG, and 341 work study recipients would be eliminated from the program by the income cap. The aid lost by these students would be about $537,000. The cap would eliminate the Pell Grant for six students.

7. $4,000 cap on total Education Department aid (Pell, SEOG, NDSL, CWS, and GSL). This figure is average cost of attendance at a public institution. Basic idea is not to deny students an education, but to provide the least expensive education possible. Armey (TX) asked the following at House hearing on education budget—"Why should non-college educated wage earners need to pay taxes to support education of others?" This ignores the fact that four-fifths of a student's education at a public university is subsidized by tax dollars.

At Luther: 316 students receive more than $4,000 in federal funds.

8. TRIO programs (Upward Bound and Special Services at Luther) would be cut by 54 percent. Remedial services would end for about 500,000 disadvantaged students.

9. Self-Help expectation—No assistance for any student unable to contribute a minimum of $800 in self-help.

10. College Work Study—Funding would increase from 593 million to 850 million. Institutions could use up to half of CWS funds for grants.

NORTHEAST IOWA TECHNICAL INSTITUTE,
Peosta, IA, April 10, 1985.

Re: Testimony to the Postsecondary Education Sub-committee on the House Committee on Education and Labor on Student Financial Aid for Higher Education.

Hon. TOM TAUKE,
Iowa's 2nd District Congressman, Rayburn House Office Bldg., Washington, DC.

DEAR TOM: Because I will not be able to attend your sub-committee's public hearing on student financial aid for higher education in Cedar Rapids, Iowa, on April 12, 1985, I submit the following written testimony, which I respectfully request be inserted into the official hearing record.

This year, the Higher Education Act, which authorizes federal student aid programs, must be re-authorized, which is extremely critical to the students we serve at Northeast Iowa Technical Institute. To illustrate, at our two campuses (Calmar and Peosta) during fiscal year 1984, we had 545 students who received Pell Grants in the amount of $472,855.

Because many of our students are classified as "non-traditional," and because we do not have student dormitories at Northeast Iowa Tech, I would urge Congress to consider strengthening the Pell Grant program through more equitable treatment of independent and commuter students. In addition, we have students who are on unemployment compensation, receive food stamps, and are homeowners, which currently are included in the means test on eligibility for Pell Grants. I would urge Congress to eliminate these criteria from the means test.

We, in higher education, were very appreciative when Congress increased the Pell Grants cap on covered costs from 50% to 60%. This was extremely helpful to students at Northeast Iowa Tech. But, because of the erosion of purchasing power (one third in the last five years), I would ask Congress to increase the cost allowance cap to 65% for fiscal year 1986 and increase the maximum Pell Grant from the current $1,900 to $2,300. The maximum Pell Grant award for a student at Northeast Iowa Tech this year (1984-1985) is $1.625.

President Reagan has recommended that Congress cut back the 60% Pell Grant cost allowance to 50%. I am cognizant of the necessity to bring federal spending under control. However, to eliminate 800,000 students' (nation-wide) eligibility to receive Pell Grants would not be in the best interests of our country.

From the beginning of the land grant colleges to the present time, United States history has been one of education for all. The egalitarian ideal of education must be maintained; and it is my responsibility as an educational administrator, and Congress's responsibility, to insure that our national objective of education for all is preserved and/or renewed.

Thank you for the opportunity to submit written testimony to be included in your official hearing record.

Sincerely,

CLYDE KRAMER, *Superintendent/President.*

PREPARED STATEMENT OF MARY E. WARBASSE, M.A.E., CEDAR RAPIDS, IOWA

It was with a great deal of interest that I listened to your subcommittee hearings on postsecondary education held at Coe College, Cedar Rapids, Iowa, on April 12, 1985. My interest in federal educational money is both personal and professional. I would not have an M.A.E. degree in secondary school counseling today without the help of federal programs. I believe in the need to continue to assist students to pursue higher educational goals, however, I have had an opportunity to see some of the flaws our current system has.

As your hearing revealed, the individual who is most likely to default on the guaranteed student loan is the student who does not complete a course of study. These often are the people who then come to me. In 1976, I began working as a vocational/educational counselor for low income clients. Most of the default situations I have found could have been avoided if adequate pre-enrollment counseling had taken place. It is important to note that my clients are often the most vulnerable—they are desperate to improve their lot in life. "Anything" looks better than staying where they are. They are easily influenced by well-meaning, enthusiastic admissions counselors and financial aids officers anxious to help and having openings in career program B. Life-influencing decisions are made, at times, in a matter of minutes or hours, and both the individual and the American taxpayer are the losers, for these individuals are often entitled to all possible sources of financial aid: grants, loans, and work-study jobs.

The meat of the issue is summed up in the following question: Is our help always helping? If not, then how can we better do what we are attempting to do?

Concerning the student who does not complete their educational/vocational program we need to ask: "Why don't they complete?" Was the program too academically demanding causing them to quit or flunk? Then the solution to the problem is

pre-enrollment skills assessment and remedial education geared to making them ready. If they do not meet minimum standards after remedial work, they are spared the pain and self-esteem destroying experience of flunking. If they do meet the standards, they are prepared to succeed. Since we have nation-wide adult basic education programs for remedial adult education, it makes sound fiscal sense to utilize these programs to ensure better results from our postsecondary student aid monies. Is the course uninteresting to the student causing them to quit or flunk? Then, the answer is pre-enrollment education and career planning which includes classroom visits and student interviews. This practice could be implemented at a cost to no one and result in preventing federal aid dollars from ineffectively being spent.

Research shows that individuals with expanded horizons or awareness to career fields make more satisfying career choices. Training site and job site visits are free educational and vocational counseling options that are vastly underutilized. The resulting savings to the American tax payer following their expanded use could be monumental.

Has the current interpretation of entitlement served the well-being of the educational institution at times more than that of the individual? Maybe it's time to expand the idea of entitlement to mean the student is entitled to the facts about the opportunities for graduates: transferability of credits, job placement statistics and salary potential. The situation from my point of view certainly deserves the close review of the committee.

If you looked for an individual who came in out of the rain and ended up enrolled in a barber, beauty, business, or other college, I have no doubt that you would find not one, but several. Each time I hear a jobless person tell me about how they were enrolled in an educational program and now owe money, and still have no marketable skill, I get upset first as one human being for another and then as a taxpayer. Our government is based on a system of checks and balances. It is an appropriate concept to apply to the allocation of federal educational grants and loans—not in order to deny an individual an education, but to attempt to insure that our help is truly helping.

Making the educational institutions more accountable might be a step in the direction of needed change. The individual is "entitled" to adequate counseling. It seems only common sense not to be a facilitating agent in a process where people are educated for non-existent jobs, or for jobs which they are not likely to take, or in dead-end educational programs. Our current system has few checks to make sure that the benevolent fox watching the chickens doesn't slip. Had we at least better not devise a system to see if there are feathers on his chin?

Ginzberg (1951) identified three stages of career choice development: Fantasy, tentative, and realistic. Too many times we are awarding tax dollars to individuals who are still in the tentative stage. But, rather than quote studies or statistics, let me tell you the story of Carole, Julie and "L". Carole is thirty-eight years old. In 1982, Carole was an L.P.N. working steadily. She became very ill and a year later had a kidney removed. Bored, feeling depressed and wanting to make changes for the better, Carole went to a local postsecondary institution to inquire about courses. In a matter of hours she was tested, counseled, enrolled and signed up for guaranteed student loans. She stated to me that she felt pressured. "Enroll today," they said, "because the course may be filled up in a matter of days." Once her name was signed she felt that she was not free to back out. That option should be made clear to any student enrolling in a postsecondary institution. It is not only a consumer rights issue—it is a taxpayer issue. Carole managed to stay on the honor roll for two quarters and, although she was doing well, became more and more certain that this course was not preparing her for a job she wanted to do. She quit. Now, Carole is not only unemployed, she is in debt. This is not quite the end of the story. While in a career exploration group, Carole found that she was not the only person who had "done the best" on the school's entrance exam.

Julie is now certain that her uneasy feeling about signing up for school was well founded. Julie, too, had done the "best" on the school's entrance exams. She, like Carole, was wowed and wooed by the display of job openings for graduates of this school. Julie said to our career exploration group, "it all was just going too fast. I just didn't feel I was in control, so I backed out, it was just all too easy—the money, the tests, the enrollment. I was too unsure."

Last came "L". This student was told by an admissions counselor at yet another institution, "You can use the money for anything you like. It's yours. Buy some new clothes. Enjoy yourself. You're young." Now "L" has a baby to support. "L" also owes a guaranteed student loan, did not finish the course and is in no position to repay the loan. "L" has worked hard at the same part-time job for five years—through school, pregnancy and motherhood. She would like to start school again,

but is discouraged to find that the jobs open to people who finished the program she started pay little more than the $3.55 per hour she makes now.

PREPARED STATEMENT OF WILHELM D. ECK, DIRECTOR OF FINANCIAL AID, DIVINE WORD COLLEGE, EPWORTH, IA

The steadily increasing federal deficit is at the center of all financial discussions. Funding or program reductions are recommended to arrive at a balanced budget. However a dollar cut is not a dollar saved. There are revenue-friendly expenditures and there are those expenditures that produce considerably smaller returns to the Federal Treasury. It is economically wise to spend a large amount of funds in areas that are revenue-friendly and at the same time valuable for the people and the future of this country.

Expenditures for post-secondary education or education in general are a wise and valuable investment in the people and the future of the United States; at the same time their return to the Federal Treasury is surprisingly high:

1. Education is one of the most labor-intensive activities as ten students create four jobs: Professors, administrators, secretaries, janitors, cooks, maintenance personnel, campus security officers, health service personnel and laundry workers. All these employees earn their living, pay their federal income and social security taxes and spend their net income for a variety of services in their communities; once again their spending creates jobs and federal revenue, and all these people work and contribute without consuming federal monies for unemployment, food stamps, rent subsidies, medical assistance, energy assistance or free cheese and butter; generally, they do not crowd our jails at an annual cost of $20,000.00 per person.

2. A loss of one million students would result in over 400,000 individuals losing their employment; in addition, one million potential students, untrained, unskilled and uneducated would create additional unemployment of at least 500,000 individuals. Federal expenditures for this group would be even higher for the percentage that might be incarcerated, while their monetary contribution to the treasury is nil.

3. Life-span income and taxes paid and contributions made to society are considerably higher by those individuals that have received a college education. Higher taxes are usually paid by those with higher incomes, and any financial assistance is well spent as this federal investment pays excellent dividends.

4. The economic future clearly foreshadows a highly competitive global world economy on the highest scientific and skilled levels. An increasing larger percentage of trained professionals will be needed to offset the dwindling employment capacity of the lowly trained. The riffle effect of insufficient training will be of harsher consequence in future decades.

Defense spending, on the other hand, is revenue hostile for a number of reasons.

1. The defense industry has to import a number of highly expensive alloys, mostly from South Africa; the funds of these alloys leave our country swiftly without creating employment or revenue, but contributing to our balance of payments deficits which appear to increase with military budgets.

2. Electronic parts are used extensively in a wide variety of military arms and equipment. Hardly any of these parts are produced in the United States; they are imported from a considerable number of foreign countries. Again, the payments for these electronic parts leave this country swiftly without returning any revenue to the Federal Treasury but further contributing to a negative balance of payments situation.

3. American bases are scattered all over the world; huge amounts of money are needed to operate these bases abroad and to support transportation and living expenses for service-men and their families. These expenditures support the economies of other countries, including Japan which can well support its own defense.

4. Foreign military aid is scheduled to exceed ten billion dollars; a considerable part of these funds are not returned to the United States for weapon procurement, and the expenditure is not always wise and effective.

5. Oil consumption is increased by these world-wide military activities which necessitate huge purchases from abroad. The Vietnam war may well have been a contributing factor to a subsequent oil shortage and a substantial rise in oil prices.

The budget ills can by no means be cured by the proposed Reagan Budget; on the contrary, the full enactment of the Administration Budget would create even larger deficits. The following steps should be taken to return to a balanced budget:

1. Increase spending for essential programs which are revenue-friendly.

2. Do not increase any taxes, but insist that certain individuals and corporations with huge incomes pay at least a certain percentage of their income in taxes or their fair share.

3. Reduce current military spending initially by at least sixty billion dollars; this can be accomplished by merely stopping the waste, fraud and abuse by defense contractors and cooperative Pentagon officials, by closing unnecessary bases, and by reducing unnecessary military manpower. Additional savings can be achieved by discarding plans for ridiculous and tempting weapon systems. A ten billion dollar transfer from the Defense Department to the purchase of grain for the starving Africans would do far more for our respect and for our farm economy.

It appears that the prime purpose for the abnormal increases in the defense budget has been and is not to buy security for this nation but to provide multi-billions to the military industrial complex without regard to consequences; we mortgage our future, we mortgage our future defense capability and the work and earnings of our yet unborn children. The ability to finance our defense in twenty to thirty years from now is at least questionable if we continue on this extremely dangerous course without a proper balance between activities of wholesome growth and absorbing squander for military hardware.

The integrity of presidential advisors who prefer to serve one man instead of the vital interests of this nation appears unbelievable from a historical perspective. A free and enlightened press is the guarantor of a free form of government; a press without intellect and integrity in a free society is inexcusable; a press without freedom in a totalitarian system is understandable. Incomprehensible is the fact that an Administration makes budget proposals built on faulty logic and defended by inaccurate statements without attracting objective criticism by the news media.

The conflict between the Soviet Union and the United States is the reason for a military built-up which either nation cannot afford. This conflict has to be solved through a historical-philosophical approach. Both philosophies are aimed at liberation and betterment of the fate of the individual. Both systems however have been sidetracked by impurities of their original ideals and goals.

The pure ideals of each system are potentially the most powerful weapon in their arsenals; they are the noblest, least costly, not destructive, but most devastating to the political system of their opponents. We as a nation have supported dictators who violated the American ideals of freedom and human rights and we fertilized the land for evil regimes: Iran, Cuba, Nicaragua, Chile, and the Philippines are typical examples for policies that have violated American ideals and interests for which our founding fathers fought and died.

In a way, the Secretary of Education ought to be the top educator in the country, but he sets a poor standard for this nation when even the least of scholarly objectivity, integrity and intellect gives way to political pressure of those in the Office of Management and Budget who have demonstrated their blatant incompetence over the past four years.

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